Pubs to be proud of

MARSTON'S PLC
ANNUAL REPORT AND ACCOUNTS 2022

MARSTON'S

COMPANY NUMBER 00031461

Pubs to be proud of

Marston's is a leading pub operator; our pubs are at the heart of the communities they serve.

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

FINANCIAL HIGHLIGHTS

Revenue
£799.6m
2021: £401.7m*

Net cash inflow
£26.2m
2021: £118.1m

Underlying Profit/(loss) before tax
£27.7m
2021: £(101.3)m*

Underlying Earnings/(loss) per share
4.3p
2021: (13.6)p*

Profit/(loss) before tax
£163.4m
2021: £(171.1)m*

Earnings/(loss) per share
21.7p
2021: (20.3)p*

* From continuing operations.

WE HAVE PUBLISHED OUR FIRST TCFD REPORT

The Strategic Report, outlined from the inside front cover to page 55 incorporates: Our purpose, At a glance, Chair's statement, CEO's, Market dynamics, Our business model, Our strategy, Our key performance indicators, Strategy in action, Group operational and financial review, Section 172(1) statement, Stakeholder engagement, Responsible business, Non-financial information statement and Risk and risk management.

By order of the Board

ANDREW ANDREA
CHIEF EXECUTIVE OFFICER

Our purpose is to bring people together to create happy, memorable, meaningful experiences.

Pubs are where we go to socialise, celebrate, share an experience, or simply enjoy a drink or bite to eat, with our friends, our family, or our colleagues. They are seen as an affordable treat and our high-quality pubs are at the heart of many local communities, offering a warm welcome. A place to enjoy good company. Marston's is a people-powered business and our behaviours and strategic objectives are core to how we achieve our purpose:

Pubs to be proud of

WE ARE GUEST OBSESSED

We always put our guests first, aiming to delight them every time they're in our pubs.

▸ READ MORE ON PAGE 11

WE RAISE THE BAR

We're committed to each other, the business and being the best version of ourselves.

▸ READ MORE ON PAGE 14

WE WILL GROW

We challenge ourselves, and each other, to ensure we're always improving and moving forward.

▸ READ MORE ON PAGE 16

AT A GLANCE

A focused pub operator

Marston's has around 12,000 employees and a diverse estate of over 1,400 pubs and bars which allows us to offer something for every guest, as well as contributing to each of the communities where we operate. We are a focused pub operator, with a culture that places guests at the heart of everything we do.

Our vision is 'Pubs to be proud of'. This embodies our DNA of being a focused pub operator, whilst consistently delivering high levels of guest satisfaction and standards through our great pub teams.

We are guest obsessed:

- This year we have simplified our pub estate. Our menus have been streamlined too and some of our pubs have been repositioned to one of our three formats.
- We have invested in our guest journey and insight, with improved systems and processes, supporting guest-led decisions.

We raise the bar:

- Continuous improvement has been delivered by investing in our people, improving our reward and recognition programmes and investing in employee engagement; one of our critical success factors.

Pubs and bars
1,468

No. of Community pubs
1,057

No. of Revere pubs
44

No. of Signature pubs
101

No. of Tenanted & Leased pubs
266

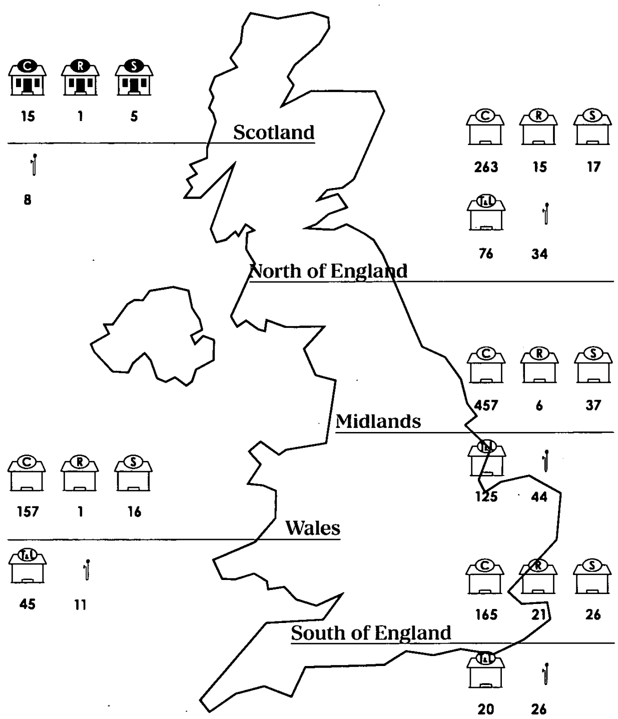
Electric vehicle chargers
123

We will grow:

- To deliver our £1 billion sales target, we are investing in key areas of our estate, evolving our franchise-style model through innovative offers and creating a 'Never full, fancy another' sales culture.

'Doing more to be proud of'

- Our ESG initiative is linked to our corporate vision. Targets have been set for Net Zero and food waste and our social purpose agenda has been a focus for us this year.



CHAIR'S STATEMENT

A year of change

Last year was one of significant change. In December, the emergence of the Omicron variant brought much disruption to the sector and, this was followed by war in Ukraine triggering global economic disruption. We also recognise the tragic human cost of war. We have seen several changes to the body politic and economic policies. Finally, as we closed out our financial year, we observed the passing of Queen Elizabeth II, who we will remember fondly.

WILLIAM RUCKER
CHAIR

Our vision strategy and goals

Following the sale of the brewing business in October 2020, Marston's became a focused pub operator. Andrew Andrea became CEO in October 2021 and we have seen transformational change in his first year. In November 2021, we set out our vision 'Pubs to be proud of'. This is a simple vision underpinned by a clear strategy and measurable goals focused on our guests, standards, and employee engagement. These underpin and support the development of our high-quality pubs, creating a long-term sustainable business.

At the same time as Andrew's appointment, we formed a new Executive Committee and a 28-strong Leadership Group. The Board was pleased to see that the Company has both experienced and capable senior leaders, and we look forward to continuing to support the development of a diverse pipeline with the skills and knowledge to support growth.

Our corporate goals remain clear and focused: we aspire to create a growing pub business with sales in excess of £1 billion and borrowings below £1 billion. Whilst the timing of this has been temporarily impacted by inflationary pressures, these targets remain core to the Company's success in the long-term and generating value for shareholders and, as such, remain unchanged.

Trading and outlook

Trading was significantly impacted by the emergence of the Omicron variant in December 2021 and the beginning of 2022. However, despite this, total retail sales for the year were 99% of financial year 2019. The SA Brain portfolio of pubs, acquired in the last financial year, is performing well with sales in line with our initial expectations, which is particularly encouraging in light of the current economic challenges.

Margins have naturally been under pressure because of widespread inflation, particularly energy, food, and labour costs. However, we have been able to offset much of this by implementing efficiencies through our supply chain and price increases, with minimal impact on trading.

I am also pleased to report that, despite the wider macro uncertainties, the estate revaluation this year shows an increase in value of £93.4 million. This marked increase reflects the strength of our business and the ongoing consumer support for the pub in a post-pandemic environment.

Our cash flow for the year was also encouraging, with a net cash inflow of £26.2 million. We have also maintained and significantly expanded our maintenance capital and conversion programmes. The majority of our financing is long dated with hedging in place to protect against interest and inflation volatility.

As a result of the impact of Omicron in the first half of the year, we are in discussions with our lending banks and private placement provider to agree further banking covenant amendments before the next covenant test at 31 December 2022, which we do not expect to pass, due to the continued recovery from COVID-19. Whilst there is no certainty that such amendments will be granted, given our experiences to date, we are confident of securing these where necessary. This has been disclosed as a material uncertainty in the financial statements.

Sustainability

We remain committed to driving our ESG agenda through the 'Doing more to be proud of' initiative, including a target to achieve Net Zero by 2030 for Scope 1 and 2 emissions and by 2040 for Scope 3. I was also proud to see that our team were awarded a Special Achievement Award at the Drinks Sustainability Awards recognising our longstanding commitment to sustainability.

Shareholder returns

Given the significant disruption in the financial year and the potential for continuing uncertainty, the Board has decided that it would not be appropriate to propose a dividend in respect of financial year 2022. Our immediate priority is to reduce debt, but the Board remains cognisant of the importance of dividends to many of our shareholders, and we continue to review our dividend policy.

Looking to the future

Looking forward, whilst we are aware of the strong headwinds, history demonstrates that pubs are resilient. They are seen as an affordable treat and our high-quality pubs are at the heart of many communities nationwide and seen as an important place to meet and socialise, whilst enjoying quality food and drink.

We remain well-placed to meet the challenges ahead by executing our strategy, which in turn supports the long-term success of the Company and generates value for all stakeholders.

CEO'S STATEMENT

Delivering on our purpose

2022 has been a year of two halves. The first half year results were impacted by trading restrictions and consumer confidence as a consequence of the disruption caused by the Omicron variant, affecting December 2021 and the critical Christmas trading period through to the end of January 2022. During the second half, we were encouraged that we traded well and consumer demand for our pubs remained robust as more normalised trading conditions resumed.

ANDREW ANDREA
CHIEF EXECUTIVE OFFICER

With the impact of COVID-19 restrictions hopefully behind us and despite the well-documented cost inflation, which all businesses are facing currently, the Group will benefit from an estate that is balanced across formats and locations, with well-invested pubs, and is set for future sustainable like-for-like growth and shareholder value creation over the medium to long term.

In 2021 we launched our new vision 'Pubs to be proud of' with a purpose 'to bring people together, to create happy, memorable, meaningful experiences', which embodies our cultural DNA of being a pub operator at our core, whilst focusing on consistently delivering high levels of guest satisfaction and standards through our great pub teams. The performance supports the progress we are making against our strategy and the transformation which has been implemented across the business in FY2022. Our primary corporate goals remain: reaching two £1 billion financial targets over time, namely the achievement of sales of £1 billion and reducing the Group's debt, excluding IFRS 16 lease liabilities, to below £1 billion. We continue to make progress on both of these goals.

Trading

Revenue increased by 99% to £799.6 million (2021: £401.7 million from continuing operations), principally reflecting recovery from a period severely impacted by COVID-19 and the significant restrictions to pub trading during the prior year.

As expected, given the significant impact of the Omicron variant during H1 and the important 2021 festive season, like-for-like retail sales for the year as a whole were 1% below 2019 levels, the last pre-pandemic trading year. However, like-for-like retail sales for the 10 weeks to 1 October 2022 were 3% up compared to 2019 and 4% up compared to 2021, showing encouraging recovery and the positive impact of our strategy.

Drink sales have outperformed food sales, once again demonstrating the trading resilience of our predominantly community pub estate. We continue to have confidence that our pub strategy is beginning to deliver positive momentum, evidenced by the trading performance. Our strategy is centered upon delivering affordable pub experiences for our guests in a quality environment both inside and out in our well invested pub gardens and outdoor trading areas.

Underlying operating profit excluding income from associates was £115.4 million (2021: £5.7 million) with a margin of 14.4% (2021: 1.4%); H1 margin was 10.8% and H2 margin was 17.6%. Underlying operating profit, including income from associates, was £118.7 million (2021: loss of £(8.8) million).

Property and net assets

The Group has moved to annual external valuations of its properties and all pubs will be inspected on a rotational basis. Each year, valuation will be based on a physical inspection of approximately one third of the estate with the remainder subject to a desktop valuation.

The carrying value of the estate is now £2.1 billion (2021: £2.0 billion); as a result of the valuation and leasehold impairment review there is an effective freehold impairment reversal of £88.4 million and a leasehold impairment reversal of £5.0 million, giving a £93.4 million increase in net book value.

During the period, net asset value increased by £241.7 million to £648.1 million. This is primarily due to the increase in the value of our estate and reduction in liabilities from interest rate swaps. As a result of this, net asset value per share has increased to £1.02 (2021: £0.64).

Debt and financing

The vast majority of our borrowing is long-dated and asset-backed. 90% of our borrowings are hedged and therefore not at risk of any changes in interest rate movements that may occur during the year. Further detail is set out in the Group Operational and Financial Review on page 17.

Net debt, excluding IFRS 16 lease liabilities, was £1,216 million, a reduction of £16 million from last year (2021: £1,232 million). Total net debt of £1,594 million (2021: £1,604 million) includes IFRS 16 lease liabilities of £378 million (2021: £372 million).

CEO'S STATEMENT CONTINUED

Delivering on our purpose

Carlsberg Marston's Brewing Company (CMBC)

The pandemic and the macroeconomic environment have had an impact on CMBC's trading results in financial year 2022. The income from CMBC of £3.3 million (2021: loss of £(14.5) million) reflects the Group's share of the statutory profit after tax generated by CMBC. Whilst CMBC's results show a recovery from last year, they also reflect the impact of the Omicron variant during the year; H1 saw a loss of £(2.0) million.

Dividends from associates of £19.4 million were received (2021: £nil), primarily resulting from one-off working capital movements. We remain confident we will receive regular future dividends from CMBC when there is a return to a more normalised market.

ESG – 'Doing more to be proud of'

We remain committed to driving our ESG agenda under 'Doing more to be proud of', with a target to achieve Net Zero by 2030 for Scope 1 and 2 emissions and by 2040 for Scope 3, and reduction in our food waste by 50% by 2030. We are also focusing on our social impact, including exploring a partnership with the Trussell Trust and providing employment opportunities for vulnerable groups under our Latitude programme. Our commitment to standards and good governance remains with EHO scores of 5* being a KPI.

This year, we have also published our first TCFD report, detailing the impact of climate change on our business. More information on our initiatives and TCFD report will be available on our website.

Current trading and outlook

Trading since the year end remains encouraging. Like-for-like sales in our managed and franchised pubs are up 6.8% vs the same period last year. October earnings were in line with our expectations. Bookings for Christmas Day and Christmas Fayre are encouraging and are building in momentum. Total bookings for the Christmas period are higher than in 2019 and in line with our plans, albeit walk-in trade typically accounts for a significant proportion of overall sales over the Christmas trading period.

For the first two England World Cup games, like-for-like drink sales on those days were c.+50% compared to 2021.

We remain cognisant of the current macroeconomic environment with the cost-of-living crisis, the impact of the conflict in Ukraine and the resulting challenges this brings in respect of cost inflation and the potential impact on disposable income, as well as potential supply issues. However, pubs have demonstrated their resilience time and time again and, to date, there is little in our trading performance to suggest that there has been a change to consumer behaviour; our guests still want to go out and have an affordable treat in a Marston's pub.

Similar to others in the hospitality business, our major cost lines within the business are food, drink, labour and energy. We continue with a relentless focus on managing costs to mitigate the inflationary impact on the business. We are working hard to mitigate as many of these cost pressures as possible and we expect to offset some of these higher levels of inflation through a combination of cost efficiencies and pricing strategies.

Food and drink: c.60% of food is contracted until FY2023 or beyond. For drinks, 74% of the cost is contracted beyond FY2023 and the annual price increases for these contracts are in line with our previous guidance.

Labour: following the Autumn Statement and the higher than initially anticipated increases to NLW/NMW, effective April 2023, we estimate the impact to be an additional c.£2 million of higher costs in FY2023. As part of our pricing review, we will seek to mitigate the majority of this cost.

Energy: the Group's gas price is fixed until the end of March 2025 with no additional incremental spend anticipated. The Group's electricity is hedged for H1 of FY2023, covering the six-month period from October 2022 to March 2023. The Government's six-month energy price cap for businesses is helpful and further protects our H1 energy spend. Regarding H2, we await the review of the price cap, expected by 31 December 2022, albeit at this stage the guidance we have provided on energy costs for the Group's financial year as a whole remains the same. In keeping with our commitment to our ESG strategy, we continue to focus on making efforts to mitigate energy costs wherever possible, such as adopting further energy efficient or saving schemes.

Looking ahead, whilst the short-term outlook is of course uncertain, we remain confident in the future prospects of the Group. What is clear is that people want – and are continuing – to visit our predominantly community pubs. Our customer insight and experience concludes that people still want – and are keen – to socialise, with the pub historically being the place to fulfil that 'affordable socialising' occasion, prioritising experience and leisure expenditure over bigger ticket spend. The level of guest demand we are experiencing is encouraging and underpins our confidence that we have the right strategy in place and that it is delivering positive progress on our clearly stated strategic goals. Over and above this, the World Cup and the first Christmas period without restrictions in three years present excellent trading opportunities for Marston's pubs.

MARKET DYNAMICS

Insight and trends

Despite the challenging macroeconomic environment, our focus has been to ensure we deliver great pub experiences to our guests, at an affordable price in a well-invested estate. History demonstrates that pubs are resilient and are viewed as an affordable treat.

There are five key dynamics of the changing market which we believe we are well equipped to benefit from:

- **Our guests still want to socialise outside the home**
  The desire to socialise remains strong. A recent CGA survey highlighted that going out to socialise was the number one item of spend to protect in the current environment.
- **'Brand Pub' is in strong demand**
  The strategy we set out a year ago focused on creating 'Pubs to be proud of' ensuring all of our pubs welcomed drinkers and diners equally. Our strategy remains unchanged. This winter, our campaign will be aimed at welcoming our guests into Marston's warm and cosy pubs as the place to socialise at an affordable price, and enjoy the first winter World Cup.
- **Lifestyle changes favour community pubs versus town centres**
  Emerging from the pandemic the shift to hybrid working has embedded itself, with office workers typically working 1–2 days a week at home. In addition, in the current climate, for pubs that offer the right experience, guests will consider staying within their local community rather than spending money to travel to a city or town centre. Over 90% of our pubs are in suburban areas and are well placed to exploit this trend. We are focused on providing a 'town centre' experience in our suburban pubs, ranging from an improved menu and a guest-led drinks range to ensuring we provide the right entertainment or occasion-led experiences for the local community.
- **Experience replacing convenience as reason to visit**
  As referred to above, there is strong demand to socialise outside the home, but the focus and expectation of our guests is driven by experience and quality, rather than convenience or price. We seek to be regarded as the 'best pub around here' offering a great value, affordable treat but not at the lowest price.
- **'Al fresco' drinking and eating is here to stay**
  The demand to eat and drink outside has been increasing for many years, a trend further bolstered post-pandemic. To maximise our opportunity we have invested in outside space with c.85% of our pubs having gardens and c.50 pubs having outdoor screens to show sport, enhancing trading performance throughout the seasons.

Order and pay at table systems are key to driving garden sales and we invested in technology during the year to improve both the guest and operational journey. Encouraged by the 2022 performance, we believe our outdoor spaces can be enhanced further by investing £4 million across the estate in 2023 on garden projects to deliver an even better guest experience.

OUR BUSINESS MODEL

A people-powered business

OUR RELATIONSHIPS

Our business model relies on the strength of our relationships with our key stakeholders to generate and maximise value in a responsible and financially prudent manner for the long-term success of the Company.

The best people

Great pub teams, support teams and leaders all focused on delivering great guest experiences.

Happy guests

Delighting our guests on every occasion, so they visit our pubs time and time again.

Committed Pub Partners

Working with entrepreneurs who believe in our purpose and strive to achieve our shared vision.

Trusted suppliers

Long-term, mutually beneficial partnerships with our suppliers, delivering success for all.

Supportive Government

Engaging with, and working with, Government and other regulatory bodies ensures the best outcomes for our guests and our business.

Engaged communities

We play an active role in our communities, generating a positive impact at a local level.

A responsible business

We're committed to being a responsible and sustainable business and doing the right thing: Doing more to be proud of.

WHAT WE DO

Responding to changing market dynamics, we've simplified our estate by categorising our pubs into three core formats and conversion of the estate to one of these categories is ongoing. Our investment programme ensures that our pubs are maintained to the highest of standards.

1,057
Community pubs

101
Signature pubs

44
Revere pubs

HOW WE DO IT

Our one team approach, focused on our clearly defined pub and corporate goals, working better and smarter, to deliver our vision of 'Pubs to be proud of'.

WE ARE GUEST OBSESSED

We always put our guests first, aiming to delight them every time they're in our pubs.

READ MORE ON PAGE 11

WE RAISE THE BAR

We're committed to each other, the business and being the best version of ourselves.

READ MORE ON PAGE 14

WE WILL GROW

We challenge ourselves, and each other, to ensure we're always improving and moving forward.

READ MORE ON PAGE 16

THE VALUE WE CREATE

For our guests

731

Reputation score

For our people

75%

Participation in our Peakon employee engagement surveys for the full year

For our pub partners

64

Pubs now on our innovative Pillar agreement

For our shareholders

NAV

£1.02

Investment in our core assets, improving and maintaining the highest standards

READ MORE HOW WE ENGAGE WITH OUR STAKEHOLDERS ON PAGE 21

OUR STRATEGY

A clear guest-focused pub strategy

In 2021, we launched our vision: 'Pubs to be proud of'. Our strategy is unchanged as we focus on achieving our clear pub and corporate goals which will ultimately promote the long-term success of the Company, generating value for shareholders.

MARSTON'S

CORE PUB GOALS

1	2	3	4
Loved by guests	**Trusted**	**Great place to work**	**Sales culture**
All of our pubs to have a Reputation score of 800 or more	All of our pubs to be 5* EHO FOOD HYGIENE RATING 0 1 2 3 4 5	Peakon engagement score of 8 or more	'Never full, fancy another'

CORE CORPORATE GOALS

5	6	7
Better than the rest	**Responsible business**	**Back to a billion**
Consistent market outperformance	Committed to being a responsible and sustainable business	Achieving £1 billion sales and reducing net debt below £1 billion

STRATEGIC PRIORITIES

WE ARE GUEST OBSESSED	WE RAISE THE BAR	WE WILL GROW
Start with guest experience not convenience Focus on peak periods	Operational excellence People investment 'Make Great' sessions	High returning growth capex Development of partnership agreements Exploit M&A opportunities
▶ READ MORE ON PAGE 11	▶ READ MORE ON PAGE 14	▶ READ MORE ON PAGE 16

FINANCIAL OUTPUTS

FINANCIAL STRATEGY DRIVING SHAREHOLDER VALUE

Grow earnings	Reduced debt	Increased returns
Progressive and sustainable dividend	Debt: equity transfer	Increased NAV

OUR STRATEGY CONTINUED

Focused vision, sustainable business, clear goals

Our KPIs represent our principal metrics that we focus on in running our guest obsessed business. They measure our progress in raising the bar on our performance and in growing the business. They also help to determine how we are remunerated.

Key: We are guest obsessed; We raise the bar; We will grow

Linked to remuneration

▲ These goals relate to our managed and retail pubs.

CORE PUB GOALS▲

1 Loved by guests

All of our pubs to have a Reputation score of 800 or more

To be the 'best pub around here' and for our guests to support us

Why it's important

Delivering great guest experiences every time ensures our guests will visit our pubs time and time again.

▸ LINK TO STRATEGY

▸ LINKED TO REMUNERATION

2 Trusted

All of our pubs to be 5* EHO

Prioritising the health and safety of our guests and our people.

Why it's important

Ensuring all of our pubs meet these standards is an integral part of our commitment to deliver our vision of 'Pubs to be proud of'.

▸ LINK TO STRATEGY

3 Great place to work

Peakon engagement score of 8 or more

To be a great place to work; engaging with, listening to and enabling our people.

Why it's important

As a 'people-powered' business, we want to attract and retain the best people.

▸ LINK TO STRATEGY

▸ LINKED TO REMUNERATION

4 'Never full, fancy another' sales culture

Spend per head vs LY %

To instil an entrepreneurial mindset and sales culture within our business, maximising the spend per guest visit.

Why it's important

A great pub is never full (we can always fit you in) and great pub teams always ask our guests if they would like something else.

▸ LINK TO STRATEGY

CORE CORPORATE GOALS

5 Better than the rest

To be the no.1 pub company on Reputation.com

3rd We've moved from 4th to 3rd place during the 2021/22 reporting year. We are targeting 1st place.

To consistently outperform our competitors from a guest's perspective.

Why it's important

We can see how we compare to our competitors in the eyes of the guest.

▸ LINK TO STRATEGY

6 Responsible business

To remain in the FTSE4Good index

Demonstrating that we are a responsible and sustainable business.

Why it's important

Creating a sustainable future for our business benefits all of our stakeholders.

▸ LINK TO STRATEGY

7 'Back to a billion'

Total revenue – £m

Net debt (excluding lease liabilities) – £m

▸ LINK TO STRATEGY

▸ LINKED TO REMUNERATION

Free cash flow (FCF) – £m

To achieve our corporate goals: £1 billion sales and net debt (excluding lease liabilities) below £1 billion.

Why it's important

Reaching our financial goals will stimulate growth and value for all stakeholders.

Note:

We've made changes to some of our KPIs during the reporting year. Further details are set out on page 173.

STRATEGY IN ACTION

2022 – A transformational year

In 2021 we launched our new vision 'Pubs to be proud of' with a purpose 'to bring people together, to create happy, memorable, meaningful experiences', which embodies our cultural DNA of being a pub operator at our core, whilst focusing on consistently delivering high levels of guest satisfaction and standards through our great pub teams.

Underpinning this vision are clear operational targets, which are being monitored and measured by external platforms, such as Reputation.com, EHO scores and 'Your Voice', our employee engagement survey powered by Peakon, together with the evolution of a stronger sales culture aimed at further improving footfall into our pubs and spend per guest visit. Importantly, the targets set at pub level align with the incentive measures across the entire business and workforce, including the Board and Executive team, to provide consistency of focus at all levels.

During the last year, a change management programme has delivered a transformational change across our business. Underpinning this programme was a significant change in the leadership structure within the organisation.

Operationally, we have again strengthened the team, with around half of the operational field teams joining us within the last year, with an encouraging blend of industry experience and those from a pure retail background, bringing further diversity of thought.

The calibre of external applicants has been very strong, demonstrating the attractiveness of Marston's as a great place to work.

'BACK TO A BILLION' – OUR CORPORATE GOALS

Our primary corporate goals are defined by two £1 billion financial targets:

Achieving sales of £1 billion

This requires around £200 million of sales growth from pre-pandemic levels.

Reducing net debt excluding IFRS 16 lease liabilities to below £1 billion

This is consistent with our previously stated financial strategy.

We are making progress on our 'Back to a billion' targets. Taking into account the macroeconomic environment, we believe it is appropriate to rebase the net debt target date to 2026. In delivering these goals we will drive shareholder value by creating a business that is growing sales, earnings and cash generation, reducing debt levels and increasing the underlying net asset value (NAV) through increasing returns.

STRATEGY IN ACTION CONTINUED

WE ARE GUEST OBSESSED

We always put our guests first, aiming to delight them every time they're in our pubs

HIGHLIGHT OF 2022

Increase in Reputation score in the last 12 months

122

Evolution of our estate

During the year we have taken the opportunity to reposition some elements of our portfolio that have become more challenged over time.

Two for One – 74 pubs
We decided to accelerate the removal of Two for One from the portfolio and this was completed in September 2022. The conversion, which was implemented at a low capital cost, has proved successful, with a 5.1% improvement to spend per head and a 4% increase in guest satisfaction scores.

Rotisserie – 37 pubs
Our format analysis concluded that most of the Rotisserie pubs should convert to the Signature format. As such, and as part of the menu rationalisation described below, we have replaced the Rotisserie menu with the Signature menu. As a consequence, we have decommissioned our Rotisserie ovens, which were inefficient operationally, economically and environmentally. This was completed by the middle of October and is expected to deliver c.£1 million of cost and margin benefit each year.

In response to changing market dynamics, we have categorised all our pubs into three core trading formats to meet changing consumer trends, thereby reducing our exposure to a pure mainstream offer synonymous with discounting and a focus on price over experience, and maximising the trading opportunity in each pub.

Relevant stakeholders
1. Guests
2. Communities
3. Suppliers

▸ READ MORE ON PAGE 21

Relevant risks
1. Market and operational
2. Health and safety, food safety
3. Information technology

▸ READ MORE ON PAGE 45

Our immediate priority was our food-led business, and we have a clear journey to reposition the trading formats of the food-led estate over the course of the next four years. We have concluded the same exercise with our c.900 managed and franchised wet-led pubs. The review indicated that c.90 pubs should be converted to the Signature format, over the next four years, and we are planning to convert our first Signature wet-led pubs in 2023.

Importantly, consistency remains key across all formats. Conversion of every pub in our estate to one of the following three formats is ongoing and applies to both our food-led and wet-led pubs and is independent of operational model (managed or retail):

Community: these are good value, local pubs at the heart of their community. We are unlocking growth through zoning that clearly defines the bar and dining areas of the pub. We are achieving growth from increased drinks volume.

Signature: in this format we elevate the everyday for our guests placing an emphasis on a warm, timeless country-pub atmosphere with food and drink provenance at the fore. We target a frequency of one to two visits per month, in suburban towns and villages where quality of food, a friendly welcome and familiarity are key drivers.

Revere: this is our most aspirational offer. Guests visiting these pubs have a higher level of disposable income, eat out frequently and are willing to pay for an elevated experience. In addition, a Signature guest will trade up to a Revere pub or bar for a special occasion.

STRATEGY IN ACTION CONTINUED

WE ARE GUEST OBSESSED

Guest driven category management – menu and range rationalisation

Quality of food and drink is the single biggest influencer of guest satisfaction and during the period we have undertaken a full review of both categories.

Consequently, we have streamlined the Group's menus across the estate, significantly reducing the number of different menus and aligning them to one of the three formats: Community, Signature and Revere. We also removed operational complexity and unnecessary costs by reducing the size of the menu by 35%–50%, whilst remaining focused on ensuring our food proposition is not compromised despite the challenging cost headwinds and still maintaining guest satisfaction; our guest and employee satisfaction scores have improved.

This exercise has significantly simplified our business and, whilst the primary drivers of the strategy have been guest and operational insight, as with the menu rationalisation, this will drive business-wide efficiencies in our business going forward.

An efficient supply chain and more focused menu has also helped us to achieve our target of reducing food waste; a key component of 'Doing more to be proud of', our ESG agenda.

Enhancing the guest journey

As a consequence of the pandemic, consumer behaviour and expectations towards booking and paying have materially changed. We are seeing an increased level of bookings, rather than impulse visits and, increasingly, there is an expectation that pubs have some form of order and pay at table platform.

In response to these behavioural changes, we have invested in our technology and teams as follows:

Bookings:
We have implemented the Collins booking system in 542 of our managed and franchised pubs, focusing on pubs that serve food, and have developed the system to ensure a better booking experience for our guests and better insight and oversight for our operational and finance teams.

Order at table:
We have injected additional investment into Orderbee, our order and pay at table platform. Full integration with our existing systems now means processing is seamless and we are able to use the platform more effectively as a tool to drive additional spend per head, as well as providing the guest with a customisable experience. During the summer, a trial of the enhanced system delivered an additional c.13% increase spend per head and we believe this to be a key contributing factor to maximising the returns on the planned outdoor investment.

STRATEGY IN ACTION CONTINUED

WE ARE GUEST OBSESSED

Insight and data driven decisions

At the start of the year, we launched a new guest insight platform, Reputation.com, which generates a Reputation score for each pub based on social media feedback, regardless of operating model. This platform has embedded in our business with very strong engagement and support from our pub teams. In turn this has dramatically improved the way we engage with and listen to our guests and, as a result, our aggregate Reputation score has increased by over 100 points since inception. We see an opportunity to improve this score further and we have set a target for pubs to achieve a score of 800 (or more). Joining the '800-Club' (in addition to maintaining a 5* EHO rating) triggers an additional incentive payment in our managed and franchised pubs.

We have also developed and evolved our internal Business Information (BI) systems. This has allowed us to unlock the value of the data we collect by presenting a holistic view of our business, identifying opportunities to grow and allowing us to make data driven decisions at pace and to understand the impact of those decisions in real time. Over the next 12 months we will begin to deploy our BI systems across our estate in an easy, accessible and secure way, giving our operational and pub teams greater insight to help them make better business decisions.

We have also partnered with a card analytics agency to help us improve our understanding of guest behaviour and spend habits at a local level, which is particularly important in the current socioeconomic climate and enables us to adapt our marketing strategy and ensure it is deployed in the most effective manner.

Finally, following the internal promotion of a new Director of Insight and the external hire of a new Director of Digital, we have invested in both our insight and digital teams to ensure we have the right people and technology to be able to respond quickly and appropriately to a constantly changing market and dynamic.

STRATEGY IN ACTION CONTINUED

WE RAISE THE BAR

Relevant stakeholders
1. People
2. Communities
3. Government

▶ READ MORE ON PAGE 21

Relevant risks
1. Market and operational
2. Liquidity
3. Pandemic

▶ READ MORE ON PAGE 45

We're committed to each other, the business and being the best version of ourselves

HIGHLIGHTS OF 2022

No. of apprentices in our business

326

Investing in people

We employ around 12,000 people directly in our c.500 managed pubs and an estimated 10,000 indirectly in our c.1,000 franchise and leased pubs. Our people are at the heart of creating 'Pubs to be proud of' and engaging and investing in our teams to help them improve the performance is critical to our success.

Reward

We have reviewed our approach to reward in light of the inflationary backdrop and headwinds we are currently facing. Economically, we need to ensure we are offering attractive rates of pay relative to other sectors and, morally, we recognise that we have a role to play in ensuring our teams can financially navigate through the current cost-of-living crisis, whilst remaining focused upon delivering our key corporate goals. To that end, in March 2022 we increased the minimum hourly wage rates for our pub teams ahead of the national minimum wage rates for all age groups. The annual cost of this measure is currently around £3.5 million but we view this as a key investment in people that will pay for itself through improved service standards and lower churn rates. In addition to the annual pay review, for our lower paid salaried employees, we are making a one-off cost-of-living supplement payment in January 2023. These supplements are banded to ensure that those paid the least receive the most. For example, all salaried team members earning under £30k per annum will receive the maximum payment of £750.

Resourcing

Following the appointment of a new Director of Talent Acquisition and Employer Brand we have introduced several innovative initiatives to improve our recruitment strategy. Given the profile of our pub teams, app-based recruitment platforms are becoming increasingly important. Social media platforms such as TikTok and Snapchat are also potential recruitment platforms with the potential to reach a wider pool of talent. We are working closely with our agency partners to ensure we are directing our digital and recruitment efforts in a focused and efficient manner.

We have long maintained the importance of apprenticeships in our business. We currently have 326 apprentices, which has doubled since the last reporting period. The programme extends across the organisation from pub team members through to embedded MBA programmes and the launch of the Women in Leadership apprenticeship programme during the year. Through our ESG initiative, 'Doing more to be proud of', we are also trialling the use of apprenticeships as a way back to work for marginalised groups, including ex-offenders.

Diversity and inclusion

We have a responsibility to create an environment where people are proud of who they are and feel they can be themselves. We have a number of partners helping us on our journey to a place where everybody can bring their whole self to work.

We have established several team member networks, including the Marston's Pride Network, connecting and supporting our LGBTQ+ team members, and the Women of Marston's Engagement Network (WOMEN), bringing women and allies together in a safe and supportive environment; to make connections, facilitate success through strong peer support, input into key policies and programmes, drive necessary change and empower women in their professional and personal development. We have partnered with WiHTL for a number of years, a Collaboration Community devoted to increasing diversity and inclusion across Hospitality, Travel and Leisure, and are proud signatories of the Diversity in HTL Charter.

We have also partnered with The Burnt Chef Project, who provide mental health support for the hospitality trade and, with their support, this year we have trained hundreds of our line managers in mental health and resilience and we now have an area on our eLearning platform, Campus, that is dedicated to the Burnt Chef resources and tools to help with mental health.

We recently became signatories of the Business in the Community Race at Work Charter. The seven key actions we have committed to will improve the quality of opportunity at Marston's. During the FY2023 we will also expand our networks to men, race and ethnicity and disability.

STRATEGY IN ACTION CONTINUED

WE RAISE THE BAR

Training and development

We have introduced a more agile and dynamic training and development agenda into Marston's through our two digital platforms, Attensi and Campus, to ensure we can identify development needs quickly and offer innovative training solutions. Alongside these we have launched a digital review platform to facilitate more frequent performance and development conversations, and the 'Aspire' programme which is intended to develop team members aspiring to run their own pub for the first time.

Communication and engagement

Team engagement is one of the critical success factors of our business. We have continued to use our employee engagement system, Peakon, which enables monthly feedback to and from our people. Despite the challenging backdrop, our Peakon engagement remains strong and what is most pleasing is that in the final quarter, over half of our c.12,000 employees participated in the survey each month – an outstanding result for a retail business. We recognise the nexus between engaged teams and performance, and we are committed to further improvement. As described below, the Peakon score forms part of the bonus structure.

Operational excellence

We aspire to achieve the goals underpinning the vision of 'Pubs to be proud of' in all of our pubs and we have improved the quality and experience of our operations team this year. In addition to providing an excellent guest experience (evidenced through the Reputation score), we remain focused on ensuring that the guest experience is delivered in pubs that are also operating to the appropriate standards, and EHO scores remain a core pub goal which we measure and monitor each month. To support this, we have launched various initiatives in the reporting year including a standards drive and a new audit app. Recognising the importance of health and safety, EHO scores are also included in most of our bonus schemes.

In H2 of 2022 we rolled out a new labour scheduling system which, amongst other benefits, helps ensure that we are deploying the right quantum of labour at the right time in a challenging labour market.

STRATEGY IN ACTION CONTINUED

WE WILL GROW

Relevant stakeholders

1. Pub Partners
2. Investors
3. Communities

▸ READ MORE ON PAGE 21

Relevant risks

1. Market and operational
2. Information Technology
3. Political and economic

▸ READ MORE ON PAGE 45

We challenge ourselves, and each other, to ensure we're always improving and moving forward

HIGHLIGHT OF 2022

No. of pubs operating under a Pillar agreement

64

Effective capital expenditure – 'Make Capex Great'

One of the key drivers of our plan for organic growth is the capital investment programme; for both the maintenance of our estate and conversions in line with the estate format aspirations described on the previous page.

Our investment capital plans are clearly defined by format and, as such, we have clear visibility and a pipeline of pubs we plan to convert. This provides us with sufficient lead time ahead of the investment itself and permits our commercial, recruitment and training teams to comprehensively plan, execute and support each investment and conversion. In FY2022 we completed 22 transformational conversions and, despite the economic environment, we still intend to convert the remaining c.100 food-led pubs at the appropriate level of investment to achieve the format evolution described.

In addition, our observation following the pandemic is that the demand to eat and drink in high quality outside space is strong and is a differentiator between pubs. As such we are allocating £4 million on a garden investment programme in FY2023, including 20 larger garden schemes.

From a maintenance perspective, it is critical that the fabric of our pubs is not compromised, regardless of format. This supports delivering a great guest experience as well as maintaining the underlying value of our assets.

We have formalised the planned maintenance programme and reduced the maintenance cycle from six to four years. Our aspiration is to reduce this further to three years, in the medium term.

Continued evolution of franchise

Marston's has been the forerunner of the franchise-style model since its introduction in 2009, and it is clear that the owner/entrepreneur mentality of a turnover pub partner drives sales growth in our pubs. In 2021 we introduced a unique new franchise-style agreement, called 'Pillar', which enabled pubs with an independent food offer to receive all of the positive elements of a franchise-style arrangement without compromising their food proposition. We now have 64 pubs operating under a Pillar agreement. In addition, we are trialling the franchise model in four food-led pubs that were formerly part of our managed estate and it is our intention to extend this trial further in FY2023.

Developing a stronger digital agenda

We recognised that from a digital perspective Marston's has a significant opportunity to grow volume. We have appointed a new Director of Digital, with an abundance of sector experience. The digital strategy we have subsequently embarked upon combines acquisition activity through the development of third-party partnership relationships, and the development of a targeted individualised digital marketing programme aimed at increasing frequency of visit from our existing guests.

Creating a stronger sales culture – 'Never full, fancy another'

We are seeking to engender a more entrepreneurial culture through all of our pubs irrespective of whether they are managed or a Pub Partnership. Our sales mantra underpins the definition of a successful pub – a great pub is never full (we can always fit you in) and great pub teams always ask our guests if they would like something else.

Project Boost is designed to create a reward structure over and above the base salary and bonus scheme or Pub Partner share, to recognise and celebrate outstanding performance. We removed the cap on our operational bonuses ensuring our pub teams and Pub Partners are focused on maximising sales over and above the annual targets. In addition, we have recently announced a series of quarterly 'retain it or lose it' reward schemes relating to guest satisfaction scores, EHO and employee engagement with the qualifying licensees receiving a cash reward at the end of each quarter.

GROUP OPERATIONAL AND FINANCIAL REVIEW

Performance and financial review

> "Like-for-like retail sales for the 10 weeks to the end of the year were 4% up, showing encouraging recovery and the positive impact of our strategy.

HAYLEIGH LUPINO
CHIEF FINANCIAL OFFICER

Financial highlights

	Underlying[1]		Total[1]	
	2022	2021	**2022**	2021
Total revenue	**£799.6m**	£401.7m	**£799.6m**	£401.7m
Pub operating profit/(loss)	**£115.4m**	£5.7m	**£142.1m**	£(90.5)m
Share of associate	**£3.3m**	£(14.5)m	**£3.3m**	£(14.5)m
Profit/(loss) before tax	**£27.7m**	£(101.3)m	**£163.4m**	£(171.1)m
Net profit/(loss)	**£27.5m**	£(86.2)m	**£137.2m**	£(128.3)m
Earnings/(loss) per share	**4.3p**	(13.6)p	**21.7p**	(20.3)p
Net cash inflow/(outflow) incl. IFRS 16	**£26.2m**	£118.1m	**£26.2m**	£118.1m
NAV per share			**£1.02**	£0.64

1 From continuing operations.

Revenue

Revenue increased by 99% to £799.6 million (2021: £401.7 million from continuing operations), principally reflecting recovery from a period severely impacted by COVID-19 and the significant restrictions to pub trading during the prior year.

Trading this year has been impacted by the Omicron variant of COVID-19. Whilst the pubs were not required to shut in England, government recommendations for social distancing, restricted trading in Scotland and Wales and consumer concerns saw a drop in visits and revenue during December 2021 and January 2022, the impact of which was an estimated reduction to revenue of £16 million and EBITDA of £8–10 million compared to a pre-pandemic financial year.

For the year as a whole, like-for-like retail sales are slightly down (1%) relative to 2019 levels, the last pre-pandemic trading year, which is expected given the impact of the Omicron variant during H1. However, like-for-like retail sales for the 10 weeks to the end of the year were 3% up compared to 2019 and 4% up compared to 2021, showing encouraging recovery and the positive impact of our strategy.

Total retail sales in the Group's 1,198 managed and franchise pubs increased by 100% to £734.1 million (2021: £367.8 million) and total outlet sales increased by 101% to £757.2 million (2021: £376.3 million).

Within our pub business we operated 267 pubs under the traditional tenanted and leased model generating revenues of £42.4 million (2021: £25.4 million). It is still our intention to convert the remainder of the tenanted and leased estate to turnover based models in the medium term.

Accommodation sales of £33.1 million show significant growth (2021: £17.2 million), benefitting from the demand for UK staycations.

Profit

Underlying operating profit excluding income from associates was £115.4 million (2021: £5.7 million) with a margin of 14.4% (2021: 1.4%); H1 margin was 10.8% and H2 margin was 17.6%. Underlying operating profit including income from associates was £118.7 million (2021: loss of £(8.8) million).

Underlying EBITDA excluding income from associates was £159.6 million (2021: £48.4 million), and underlying profit before tax was £27.7 million (2021: loss of £(101.3) million). Profit before tax was £163.4 million (2021: loss of £(171.1) million). FY2021 comparison numbers exclude discontinued operations.

The difference between underlying profit before tax and profit before tax is £135.7 million of non-underlying items, which includes a £109.2 million net gain in respect of interest rate swap movements and a £21.6 million net reversal of impairment to the freehold and leasehold property values.

GROUP OPERATIONAL AND FINANCIAL REVIEW CONTINUED

Performance and financial review

Interest

Our borrowing is largely long-dated and asset-backed. The securitisation is in place until 2035 which provides financing security and high visibility of future cash flows; this is of particular importance in an environment where interest rates are rising to curb inflation. The securitisation is fully hedged until 2035. Other lease related borrowings are index linked, capped and collared at 1%–4%, providing protection against high inflation. Of our £280 million bank facility, £120 million is now hedged. Overall, we are 90% hedged, providing significant protection against changes in interest rate movements that may occur during the year.

Since the financial year end, the £60 million forward floating-to-fixed interest rate swap which was due to take effect from April 2025 was brought forward and started in October 2022.

Taxation

Underlying profit before tax was £27.7 million (2021: loss of £(101.3) million from continuing operations), upon which the total underlying tax charge was £0.2 million (2021: credit of £15.1 million). This gives an underlying rate of taxation of 0.7% (2021: 14.9%). The effective tax rate is lower than the standard rate of corporation tax primarily due to super-deductions, post-tax share of income from associates and a credit in respect of deferred tax on property.

The total tax charge is £26.2 million (2021: credit of £42.8 million) on total profit before tax of £163.4 million (2021: loss of £(171.1) million from continuing operations), with an effective tax rate of 16%.

Non-underlying items

There is a net non-underlying credit of £135.7 million before tax and £109.7 million after tax. The credit primarily relates to a £109.2 million net gain in respect of interest rate swap movements and a net reversal of impairment of £21.6 million to the freehold and leasehold property values following the external estate valuation of the Group's effective freehold properties and the impairment review of the Group's leasehold properties undertaken during the year.

Other non-underlying items comprise a £0.7 million charge in respect of the fair value of the contingent consideration from the disposal of the Group's brewing operations and a £5.6 million credit for VAT claims submitted to HM Revenue & Customs in respect of the VAT treatment of gaming machines from 1 January 2006 to 31 January 2013. An explanation of non-underlying items is included within note 4.

The tax charge relating to these non-underlying items is £26.0 million.

Earnings per share

Total earnings per share were 21.7 pence per share (2021: 25.7 pence per share). Underlying earnings per share were 4.3 pence per share (2021: (13.4) pence loss per share).

Capital expenditure and disposals

Capital expenditure was £70.1 million in the year (2021: £46.6 million). We expect that capital expenditure will be around £65 million in 2023. Included in this year's expenditure is the refurbishment of our new head office, St Johns House, which was largely completed during FY2022 but will be financed in FY2023.

Proceeds of £9.9 million have been realised in relation to the disposal of non-core pubs and unlicensed properties, which achieved a 40% higher price than the net book value.

Property

The Group has moved to annual external valuations of its properties and all pubs will be inspected on a rotational basis, with approximately one third of the estate being inspected each year and the remainder subject to a desktop valuation. Christie & Co undertook an external valuation in July 2022 and the results have been reflected in the full year accounts.

The carrying value of the estate is now £2.1 billion and, as a result of the valuation and leasehold impairment review, there is an effective freehold impairment reversal of £88.4 million and a leasehold impairment reversal of £5.0 million, giving a £93.4 million increase in net book value. The average multiples used in the valuation were towards the lower end of our expectations and the multiples disclosed by both peers in their valuations and recent comparable transactions.

GROUP OPERATIONAL AND FINANCIAL REVIEW CONTINUED

Performance and financial review

Share of Associate (Carlsberg Marston's Brewing Company (CMBC))

The income from CMBC of £3.3 million (2021: loss of £(14.5) million) reflects the Group's share of the statutory profit after tax generated by CMBC in the period. Whilst CMBC's results show a recovery from last year, they also reflect the impact of the Omicron variant during the year; H1 saw an operating loss of £(2.0) million.

Dividends from associates of £19.4 million were received (2021: £nil), primarily resulting from one-off working capital movements. Dividends for this financial year were forecast to be £nil at the time of our interim results due to the significant disruption to trading in the year (including the impact of Omicron) and the potential for continuing uncertainty as a result of cost inflation, uncertainty resulting from the war in Ukraine and the macroeconomic environment. However, we remain confident that there will be regular future dividends from CMBC when there is a return to more normalised market conditions.

Pensions

The balance on our final salary scheme was a £15.1 million surplus at 1 October 2022 which compares favourably to the £14.4 million deficit at last year end. This improvement has been primarily driven by the increase in the discount rate assumption, from 2.0% in October 2021 to 5.2% in October 2022, reflecting the increase in corporate bond yields since the year end, partially offset by reductions in asset values. The net annual cash contribution is c.£6m and is only expected to continue for the next 2–3 years.

Debt and financing

The Group remained focused on cash management during the year, particularly during periods where trading was impacted by the Omicron variant. We continued to prioritise cash preservation throughout the disrupted trading period, but also maintained an appropriate level of pub investment to ensure our pubs were well positioned to deliver our strategy.

The Group generated a net cash inflow for the period of £26.2 million including IFRS 16 (£17.7 million excluding IFRS 16). This would have been £48.2 million excluding the net outflow of £22.0 million for the one-off payments outlined in our interim results relating to deferred duty/VAT and the CMBC contingent consideration.

Net debt, excluding IFRS 16 lease liabilities, was £1,216 million, a decrease of £16 million from last year (2021: £1,232 million). Total net debt of £1,594 million (2021: £1,604 million) includes lease liabilities of £378 million (2021: £372 million).

There was an operating cash inflow of £134.0 million in the year, significantly ahead of last year (2021: £34.7 million), principally reflecting higher profits in the year.

The Group has a range of medium and long-term financing providing an appropriate level of flexibility and liquidity for the medium term: a £280 million bank facility to March 2024 – at the period end £215 million was drawn providing headroom of £65 million and non-securitised cash balances were £10 million; a £40 million private placement in place until 2024; a seasonal overdraft of £20 million from 25 January to 6 May and 1 July to 12 August each year reducing to £5 million for the remainder of each year – which was not used at the period end; a long-term securitisation of approximately £655 million – we satisfied the scheduled repayments demonstrating solid cash generation even under trading restrictions in Q1 and, at the period close there is £15 million of the £120 million securitisation liquidity facility utilised; long-term other lease related borrowings of £338 million; and £378 million of IFRS 16 leases.

The securitisation is fully hedged to 2035. Additionally, the Group's mark-to-market position on its interest rate swaps has reduced substantially in view of interest rate rises. Other lease related borrowing is index-linked capped and collared at 1% and 4%. There are £120 million of swaps against the bank facility: £60 million is fixed at 4% until 2031 and £60 million is now fixed at 3.45% until 2029.

In the 2021 financial statements it was highlighted that the Group would require further amendments to its covenants in financial year 2022. The Group was granted the required waivers or amendments to its financial covenants across the lending banks and private placement provider; these were required due to the continued recovery from COVID-19 and the impact of Omicron in H1. The amended covenant tests were met. No securitisation waivers or amendments were required.

We continued to receive strong support from our stakeholders for amendments and worked in a collaborative approach, helped by open and constructive dialogue in a period of uncertainty, which underlines the importance of good, long-term relationships with all our stakeholders, and we thank them for their continued support.

The Group is in positive discussions with its lending banks and private placement provider to agree further covenant amendments covering FY2023 before 31 December 2022; these are required due to the continued recovery from COVID-19 and impact from Omicron in H1. Given our experiences to date we are very confident of securing these where necessary. This has been disclosed as a material uncertainty in the financial statements.

In summary, we have adequate cash headroom in our bank facility to provide operational liquidity. There is also a £120 million liquidity facility in the securitisation to protect bondholders in the event of a default – this equates to 18 months of debt service payments. £15 million is currently drawn on this and is included in the above £655 million. Importantly, over 90% of our medium- to long-term financing is hedged, thereby minimising any exposure to interest rate increases that may arise over the next few years.

SECTION 172(1) STATEMENT

Stakeholder considerations play an important part in the Board's discussions and decision-making process. Stakeholder interests help shape our performance and, in doing so, promote the long-term success of the Company, as set out in this statement.

During the period ended 1 October 2022, the Board has acted in accordance with section 172(1) of the Companies Act 2006 (the 'Act'). Each Director of the Board has acted in a way they consider, in good faith, to promote the long-term success of the Company for the benefit of its members. In doing so, the Directors have had regard to the interests of the stakeholders and factors set out in section 172(1) (a) to (f) of the Act. This includes the interests of our investors, employees, Pub Partners, suppliers and guests, and the impact our pub estate has on the environment and the communities we serve, whilst maintaining high standards of business conduct.

The Board recognises the value of engaging with stakeholders to understand their views, objectives and interests so that they may be properly considered in the Board's decision-making. Each Director is mindful of their directors' duties and, this year they received refresher training on those duties and the Act.

Details of our key stakeholder groups, and how the Company and the Board have engaged with them during the year, are set out in the Stakeholder Engagement section on pages 21 to 23. Stakeholder engagement takes many forms including direct engagement with our investors, guests and employees and indirect engagement through regular presentations and reports from the Executive Directors, the Executive Committee and senior management.

Direct employee engagement is conducted through Bridget Lea, our nominated Non-Executive Director for Workforce Engagement, and the Board regularly receives a summary of the results of our monthly employee engagement surveys, from the HR Director. Pub visits, regular days 'in trade' and Board dinners provide an additional opportunity for the Board to engage directly with our employees and Pub Partners in a less formal setting. In addition, the Directors engage directly with our investors. Engagement with our suppliers, guests and other stakeholders takes place at an operational level through the relevant senior manager with the Board receiving updates via the Executive Directors. Finally, our 'Doing more to be proud of' initiative oversees stakeholder engagement on behalf of the Board on Environmental, Social and Governance (ESG) matters and further details are set out on pages 24 to 25.

The interests of employees, investors and other stakeholders are taken into account by the Board in all decision-making but particularly so when considering matters of strategic importance. Examples of some of the principal decisions that have been taken during the year and how Section 172(1) considerations have been factored into the Board's decision-making are set out below.

Board decision	Section 172 duties	Board discussion	Read more
In March 2022, the Board approved covenant waivers and amendments to the Company's revolving credit facility agreement dated 7 March 2017 and is in discussions to agree further amendments for 2023.	Consequences of decisions in the long-term.	• Consideration of the financial stability of the Group and its long-term sustainability for the benefit of all stakeholders.	Page 19
In January 2022, the Board unanimously agreed a move away from being a National Minimum Wage (NMW) employer.	The interests of a broad range stakeholder groups, including the Company's employees, guests and the Government.	• Consideration of and benefit to the Company's employees • The benefit to the long-term success of the Company as a consequence of improved employee retention rates and avoiding the volatility of the labour market. • The positive impact on guest satisfaction as a result of improved speed of service and more experienced and engaged pub teams. • Supporting the Government and wider community by contributing to economic growth.	Page 32
In October 2021 the Board were presented with, and considered, our ESG targets for Net Zero and food waste.	The impact of the Company's operations on the community and the environment. The interests of guests and employees.	• Linking the Company's strategy with its ESG strategy, which will benefit a broad range of stakeholders.	Page 24

STAKEHOLDER ENGAGEMENT

Our people

Priorities
- Pay, benefits and conditions
- Clear, concise communication
- Support, training and development
- Wellbeing, diversity and inclusion

Our people are the heart of our business. Effective employee engagement is central to our strategy and we recognise that the quality and commitment of our people is integral to our long-term success. Achieving an engagement score of 8 or more on our employee engagement survey is one of our Key Performance Indicators (KPIs). We recognise the importance of having an open relationship with our workforce and investing in tools that empower them to have their say.

How the Board has engaged
- All employees are invited to express their views on a confidential basis by completing the Peakon employee engagement surveys. The Board receives a monthly report on the aggregate engagement score and key themes, and outputs from the surveys are discussed throughout the year.
- Bridget Lea is our designated Non-executive Director for Workforce Engagement with our workforce. We were pleased to resume our programme for employee engagement this year, following the disruption caused by COVID-19. Unfortunately, the planned 'in person' engagement session coincided with the funeral of Queen Elizabeth II, so the session was rearranged for the following month (October 2022) and hosted digitally to ensure that the majority of the original employees were still able to attend. Bridget and Octavia Morley, Senior Independent Director and Chair of the Remuneration Committee, conducted the engagement session supported by our HR Director. During the session, there was an opportunity for employees to ask questions and provide feedback on the strategy and the following key topics were discussed: the Directors' Remuneration Policy, communication and collaboration between teams, and alignment of incentive schemes through the business.
- The Board received presentations from the HR Director and his team on a number of workforce related matters including the People Promise, which has been developed and refined following feedback from focus groups from a cross-section of our workforce.
- The Board met with a number of senior managers and Pub Partners during the year, through presentations at Board meetings, Board dinners and visits to our pubs, including a day 'in trade' for the whole Board visiting a number of sites in Wales we acquired as part of the transaction with SA Brain.

▸ READ MORE ON PAGE 60

Our Pub Partners

Priorities
- Support, training and development
- Operational success and growth
- Reward and recognition

We have around 976 pubs that are operated by self-employed Pub Partners under several types of franchise-style agreements, each providing flexible operating models. Most recently, in 2021, we launched the innovative Pillar Partnership. As with all our franchise-style models, other than labour, most of the operating costs (such as energy bills and other utilities) are paid for by Marston's, allowing our Pub Partners to focus on running their business and giving guests the best possible experience.

How the Board has engaged
- As part of the suite of training and support available to them, our Pub Partners receive complementary access to the employee engagement survey operated by Peakon. This enables Pub Partners to share their views and help shape their experience at Marston's. These scores are included in the monthly reports seen by the Board.
- The Board receives separate monthly reports from our Operational Directors for food-led and for drink-led pubs and these reports include information on our Pub Partnerships.
- The CEO and CFO, together with our Leadership Group and Operational Directors, participate in direct engagement with our Pub Partners throughout the year by frequent visits to pubs and days in trade.

▸ READ MORE ON PAGE 34

STAKEHOLDER ENGAGEMENT CONTINUED

Our guests

Priorities
- Speed of service
- Quality of food and drink
- Atmosphere and experience
- Value for money

We truly are 'guest obsessed' and we consider the voice of our guests in almost everything we do. Being loved by our guests and achieving a Reputation score of 800 or more, is one of our KPIs.

Reputation generates a score for each of our pubs based on guest feedback across multiple channels and platforms, such as Google and TripAdvisor. This enables us to measure guest satisfaction, listen to what our guests' priorities are and where there is scope for us to improve or refine our offer.

How the Board has engaged
- The Board receives a monthly report on our aggregate Reputation score and how this compares to our competitors. Key themes and drivers for guest satisfaction taken from Reputation are presented periodically, at Board meetings by our Commercial Marketing Director and her team.
- The CEO and CFO (together with our Leadership Group and operational directors) have direct engagement with our guests throughout the year when visiting pubs on days in trade.
- The results of qualitative guest focus groups and quantitative surveys undertaken in-house by our Guest Insight team are presented periodically, at Board meetings by our Commercial Marketing Director and her team.

▶ READ MORE ON PAGE 9

Our suppliers

Priorities
- Long-term supply partnerships
- Clarity around our strategy, objectives and sustainability agenda
- Fair and transparent procurement and business processes

Our suppliers play an important role in helping us deliver our strategy and providing our guests with the best possible experience. We value long-term partnerships with our suppliers to form strong, sustainable and trusted relationships whilst minimising risk in our supply chain.

How the Board has engaged
- The Board receives monthly updates and reports from the CFO on any key tenders and supply chain issues.
- During the year, the CEO and CFO engaged directly with key suppliers by participating in meetings and site visits.
- Our CEO and CFO are Non-executive Directors of CMBC, our exclusive drinks distribution partner, and provide the Board with regular updates on supply chain and other matters in support of our 40% share in CMBC.

The environment and communities

Priorities
- Responsibility and sustainability
- Social value and purpose for our people, partners and the communities we serve
- The policies and processes we have in place to protect the health, safety and wellbeing of our people, guests, Pub Partners and the wider community
- Reducing carbon emissions and food waste from our operations
- Leadership and governance, including transparency in ESG reporting

In line with our corporate goals, we are committed to being a responsible and sustainable business. We are proud to give something back to the communities we serve and, in doing so, create value for all our stakeholders, including the planet. Both Marston's and our Pub Partners play an active role in our communities, supporting them through charitable endeavours and generating a positive impact at a local level. We're committed to doing the right thing and delivering the objectives set out in 'Doing more to be proud of', our ESG initiative. The evolution of our ESG strategy this year involved us engaging and consulting with a wide range of stakeholders to understand what ESG topics mattered to them most, including our guests, our people, advisers and experts and other companies within our sector and beyond.

How the Board has engaged
- The 'Doing more to be proud of' working group oversees stakeholder engagement on behalf of the Board on ESG matters.
- The Board receives regular updates, reports and presentations on how the business is progressing and the initiatives being undertaken across our business.
- The Executive Committee receives monthly updates on health and safety and food safety compliance and, a monthly summary is provided to the Board, in addition to the annual presentation from the Director of Safety.
- The Board received an update on actions taken during the last financial year to help eradicate modern slavery, such as our use of SEDEX to gain access to ethical information about our suppliers, and approved the Company's Modern Slavery Statement in January 2022.

▶ READ MORE ON PAGES 24–40

STAKEHOLDER ENGAGEMENT CONTINUED

Our investors

Priorities
- Financial and business performance
- Progress against our strategic objectives
- Macro factors, such as consumer confidence and inflationary and cost pressures
- Progress against our Environmental, Social and Governance (ESG) targets

An analysis of our shareholder register by investor type appears on page 168. Engagement with our shareholders is essential to ensure that we attract and retain long-term investors who support our strategy. In turn, we strive to ensure that we provide fair, balanced and understandable information to shareholders and analysts alike, to ensure that they understand and support our strategy and vision, and have clarity over our financial and non-financial performance.

How the Board has engaged
- The Board regularly receives updates from the Chair, CEO and CFO on investor relations and other shareholder activity or feedback.
- Our CEO and CFO have regular face-to-face meetings with analysts, private client fund managers and large shareholders. The Chair and Senior Independent Director have regular contact with investors and analysts and are available to meet with large shareholders.
- The Annual General Meeting (AGM), our Annual Report and Accounts and our website also provide key communication channels for our investor community. Periodic announcements on our business and financial performance, issued to the stock market are also available on our website.
- Dialogue with shareholder groups and investors on various topics, including ESG.
- Octavia Morley, our Senior Independent Director, participated in direct engagement with our largest shareholders on executive remuneration, this year.
- An investor relations programme is managed by the CEO and CFO, in conjunction with our advisers, focuses on engagement with institutional shareholders, fund managers, analysts and private client fund managers.
- On behalf of the Board, the General Counsel and Company Secretary oversees communication with private individual shareholders. The key source of communication is through the Investors section of the corporate website, which provides a wealth of information on our strategy and vision, links to our share price, financial calendar, results presentations and regulatory announcements.
- The AGM provides an opportunity for shareholders to attend the meeting in person, to engage directly with the Board or ask questions in advance.

Government and regulators

Priorities
- Creation of jobs and investment
- Long-term sustainable business model
- Payment of taxes
- High standards of business conduct and compliance

We take our responsibilities for the health and wellbeing of our guests and employees very seriously. Our relationships with our Primary Authority, and various other regulatory bodies, help us to ensure we comply with new and emerging legislation in food and drink, health and safety and beyond. This is supported by the Company's Risk & Compliance Committee.

We recognise that Government policy decisions impact our business and all of our stakeholders, so we engage with Government directly through consultations and working groups, and indirectly through various lobby groups, including UK Hospitality.

How the Board has engaged
- The Board receives regular updates on labour and resourcing and approved several initiatives during the last financial year, including changes to the National Minimum Wage.
- Our Operational Director for wet-led pubs met with various Members of Parliament and the Chair of the All-Party Parliamentary Group for Beer, and attended the House of Commons to participate in the statutory review of the Pubs Code undertaken by BEIS.
- Our CEO regularly meets, and engages with, UK Hospitality to discuss sector-wide matters. Senior managers and operational directors also engage at a business level by participating in working groups and consultations. Updates are provided to the Board in the form of reports and presentations, from time to time.
- Engaging directly with the Pubs Code Adjudicator and providing bi-annual reports on Pub Code compliance to the Audit Committee, in line with our statutory duties.
- Continued work at a business level with Public Health England, the Office of Health Improvement and Disparities (OHID) and Drinkaware, with any key or strategic matters being reported to the Board in the CEO's monthly report.

RESPONSIBLE BUSINESS

Doing more to be proud of

We are passionate about delivering our ESG and sustainability strategy: 'Doing more to be proud of.' Whilst there is still more to do, we believe we can make meaningful contributions to all our stakeholders, from cutting carbon emissions and tackling food waste, to caring for our people and encouraging them to grow, and supporting the communities in which we operate.

Alignment of ESG to our business

At Marston's we have invested in sustainable and responsible business practices for many years, including being amongst the first in our sector to implement environmental initiatives, such as zero waste to landfill and the installation of electric car chargers across our pub estate. We recognise that there is still more to do, particularly to help protect the planet (our most fragile stakeholder). This year, we have focused on defining our ESG strategy, engaging and consulting with our stakeholders to understand what ESG pillars matter to them most. We have aligned our ESG strategy to our corporate strategy, and to how we operate our business. This alignment has provided clarity of vision, helped establish ownership, drive improvements and facilitated improved reporting on the progress that we have made, and will continue to make.

Previously we relied upon an ESG Committee to cover the broad range of areas collectively referred to as corporate responsibility. Following engagement with key stakeholders, given the diverse nature of our stakeholder interests, it was clear that there was an opportunity to better align those interests with our structure. Our senior leaders are empowered to engage with stakeholders at a business and operational level, and to deliver the part of our ESG and sustainability strategy that is most closely affiliated with their individual specialism.

The 'Doing more to be proud of' initiative was developed and three distinct working groups have been established with a clear mandate, objectives and targets. Some areas, such as health and safety and food waste, naturally have more than one touch point and provide more opportunities for working together and harnessing the power of cross-functional expertise.

Progress made by all three working groups is regularly reviewed by the General Counsel & Company Secretary, who also has overall responsibility at Executive Committee and business level for 'Doing more to be proud of' and oversees stakeholder engagement on ESG matters on behalf of the Board.

The initiatives we take on ESG are linked to our key stakeholders and what matters to them most, whilst being aligned to and forming an integral part of our corporate strategy.

TARGETS

- **Carbon neutrality by 2030** (Scope 1 & 2 emissions)
- **Net Zero by 2040** (Scope 3)
- **50% reduction in food waste by 2030**

ACHIEVEMENTS

- **7.8** Employee engagement score
- **3.9** FTSE4Good rating

RESPONSIBLE BUSINESS CONTINUED

Doing more to be proud of

Working together to create a sustainable future for our business, for the benefit of all our stakeholders

Key: We are guest obsessed | We raise the bar | We will grow

	Leadership Group Responsibility	Key focus areas for 2023	Link to strategy	Key commitments and goals	Other areas of focus
ENVIRONMENT	Director of Property	**Net Zero:** targets announced and strategy development, including a move towards the electrification of our pub estate supported by internal incentives such as 'Going Green' **Innovation:** adding to the existing 123 rapid EV chargers in our estate and investing in energy efficient technology and equipment **Waste and recycling:** continue to operate zero waste to landfill and focus on reducing food waste volumes	We raise the bar; We will grow	Carbon neutrality by 2030 (Scope 1 & 2 emissions). Net Zero by 2040 (Scope 3)	• Reduction of energy and water consumption • Environmental policy and strategy • Responsible management of our pub estate READ MORE ON PAGES 26–31
SOCIAL	Director of Talent Acquisition and Employer Brand	**Food waste reduction:** supported by internal incentives such as menu rationalisation, 'Wise up to Waste' and partnerships including a trial with Too Good to Go **Employee engagement KPI:** continuously listening to our people to inform the agenda for change, delivering our people initiatives and our 'People Promise' **Social and charitable partnerships:** Burnt Chef, Latitude and the Trussell Trust	We are guest obsessed; We raise the bar; We will grow	Reduction in our food waste by 50% by 2030 Employee engagement score of 8 or more	• Pay and reward • Learning and development • Diversity and inclusion • Engagement and communication • Apprenticeships • Health and safety READ MORE ON PAGE 32 • Supporting local pub initiatives • Support for our Pub Partners READ MORE ON PAGE 34
GOVERNANCE	Director of Corporate Risk	**Enhanced financial controls:** including management review controls and documentation **Policy administration:** oversight and ownership **Enterprise Risk Management:** strategic alignment to risks, control effectiveness tracking	We raise the bar; We will grow	To remain in the FTSE4Good index SEDEX companies ESG data collection	• Policies, including whistleblowing ('Speak Up') and Modern Slavery Statement READ MORE ON PAGE 41 • Risk management READ MORE ON PAGES 43–52

Underpinned by strong governance

Strong governance framework: embedded through the business, linked to corporate goals and measured through KPIs

Diversity and inclusion: 3/7 females on our Board of Directors and 4/7 females on our Executive Committee; two members of each who identify as being from an ethnic minority background

Prioritising health, safety and wellbeing: Working toward 5* EHO for our managed and franchised-pubs remains a key KPI and focus for our teams

RESPONSIBLE BUSINESS CONTINUED

Environment

Doing more to reduce our environmental impact

In recent years our estates team has gained industry recognition for their pioneering work to reduce emissions at our pubs, reduce water consumption and increase recycling levels.

Our Director of Property was awarded 'The Special Achievement Award' at the Footprint Drinks Sustainability Awards

We remain responsive to emerging technology to prevent further environmental harm, to current economic events, and to partnerships which promote and support a better environment and better lives for all.

Net Zero

Our Net Zero targets are:

- Carbon neutrality by 2030 (Scope 1 & 2 emissions).
- Net Zero by 2040 (Scope 3).
- The use of carbon offsets to cover remaining emissions, which cannot be mitigated using other actions.

Our Net Zero strategy has been developed in alignment with the Zero Carbon Forum (ZCF), a hospitality sector body which shares expertise for the mutual purpose of achieving Net Zero. The Forum aims to support the sector to decarbonise at pace and to reach Net Zero by 2040.

The ZCF's data findings for the pub sector show that 9% of emissions come from Scope 1 & 2 (e.g. fuel and electricity consumed directly) and 91% of emissions are associated with Scope 3 (e.g. purchased good and services and logistics).

The key challenges for Marston's, and our supply chain, will include: decarbonisation of heat generation, procurement of lower carbon goods and services, and a move to renewable fuels for logistics operations. Residual emissions are likely to remain that cannot be reduced or removed and these will need to be offset.

To achieve our Net Zero target, future business decisions will need to take into account the effect on emissions. As the business proceeds on the path to carbon neutrality, operating and procurement costs could be impacted in the short term but making these adjustments sooner may mean that we can reduce long-term costs.

As well as having a positive impact on the planet, mitigation and adaption to climate change presents opportunities including lowering operating costs, reducing reputational risks and future-proofing the business. We are taking an active approach to identify, approve and implement carbon reduction projects. This is a focus for the Environmental Working Group in the year ahead, together with scoping out how we will deliver our Net Zero strategy.

Environmental Working Group

Following the restructure of our ESG Committee explained on page 24, under the stewardship of our Director of Property, we formed an Environmental Working Group. It is the responsibility of the group to recommend, develop and deliver carbon reduction projects which will move Marston's forward in its journey toward Net Zero. The Working Group is chaired by our Energy Manager and includes team members from estates, procurement, finance, pub operations, food development and risk. They meet quarterly and their work this year has included identifying the optimal timing for investment in new technologies, and our progression toward renewable sources of energy.

RESPONSIBLE BUSINESS CONTINUED

Environment

Waste and resource management

We are consistently above a 70% recycling rate and have reached as high a rate as 80%. We work with waste providers to ensure we operate a zero waste to landfill business and all non-recyclables that are able to, go to energy recovery.

Annually we audit hundreds of our pubs to ensure they are utilising their recycling streams correctly, to identify more opportunities to increase recycling streams and prevent recyclable items going into general waste. The audits also enable us to optimise the number of journeys our waste contractors are carrying out, reducing the carbon associated with these collections.

Food production is carbon intensive and food waste compounds the issue. We are working on initiatives to reduce food waste and to achieve our target to reduce food waste by 50% by 2030, including menu rationalisation. Further details are set out in the 'Food Waste' section. Any residual food waste at pub level is taken to anaerobic digestion sites, where it is used to produce biogas and fertiliser.

Capital investment projects

During the year, an estate review was completed to identify the position of the estate in terms of efficiency and readiness for future investment in low carbon technology. This included:

- Analysis of supplier and EPC data
- Electric capacity review
- Current building technology and low carbon installations completed
- Review of application of on-site renewable generation

Following taking over the operation of the SA Brain estate, low carbon technologies are in the process of being rolled out to bring these properties in line with the rest of our estate, including LED lighting and water management systems.

Estate management

When new equipment is purchased for our pubs, including catering and refrigeration items, life cost analysis is completed. This considers the useful life of the equipment, energy costs, purchase costs, servicing requirements and other operational costs of the equipment. Whilst this methodology considers life of equipment and energy costs, it is recognised that it does not consider the full carbon cycle of the equipment, which the Environmental Working Group will seek to address by aligning our procurement processes with our Net Zero ambitions.

New equipment and technologies are trialled ahead of any installation to validate the operational efficiency, costs and effectiveness. Trials are either completed in our training facility or directly in the field to gather adequate data. Once technologies are proven, they may be rolled out across our estate.

Old equipment that fails or is beyond economic repair is replaced with the latest specification of equipment. This enables improvement in energy efficiency and carbon reductions to be made through lifecycle replacement, and reduces the carbon impacts through manufacturing.

Our capital maintenance and expenditure programme presents an opportunity to lower carbon emissions and operating costs. The standard measures included in any refurbishment works in our pubs are as follows:

- LED lighting
- Insulation and draft proofing
- Heating and hot water controls
- Cellar fresh air cooling and management systems

Dependant on the project, and circumstances of the site, other low carbon equipment may also be deployed.

Food waste

As well as a waste of resources, food waste is a major contributor to global carbon emissions. Tackling it is in line with our strategic objectives; we know it's an important issue for our guests and is intrinsic to raising our standard of operation, as well as protecting our operating margin.

All our food waste is measured by our waste collection partner. We regularly run awareness campaigns for our team members, to encourage them to segregate food waste and maximise recycling opportunities. We monitor the volume of food waste in order to identify its cause and assess the effectiveness of our campaigns.

We have set ourselves an ambitious target of 'Doing more to be proud of': 50% reduction in food waste by 2030. The baseline is financial year 2019 and the first year of measurement was this financial year.

In 2019, Marston's produced 4,247 tonnes of food waste, and this financial year we have produced 3,266 tonnes. Whilst we acknowledge that covers are lower than in 2019, and that there is still work to do, we are delighted with what we have achieved so far. A summary of the actions we have taken are as follows:

- **Menu and range rationalisation** – as set out on page 12, our menus have been streamlined. As well as responding to guest preferences, the rationalisation and review process took into account dishes that routinely resulted in waste being returned to the kitchen; any such items or dishes were subsequently modified or removed. The simplification of our menus has also resulted in efficiencies in our supply chain and stock retention.
- **Portion size review** – in addition to range, we reviewed portion sizes to optimise guest preference and reduce waste. In our Signature pubs, chip portion size was reduced from 284g to 234g.
- **Supply chain initiatives** – working with our suppliers to reduce waste at depot level and trialling initiatives such as our partnership with Too Good to Go.
- **Education and reward campaigns** – raising awareness through in pub campaigns and initiatives such as 'Wise up to Waste'.
- **Improved reporting** – reporting waste levels back to pub vs. covers, and the introduction of an RAG rating for food waste and working to improve those ratings.

RESPONSIBLE BUSINESS CONTINUED

Environment

We are currently trialling the Too Good to Go app in 6 of our carvery sites which enables us to connect with customers of Too Good to Go and repurpose any meals that are left over at the end of service. We are assessing whether this can be rolled out across more of our pubs in the coming year. As well as an opportunity to reduce food waste destined for disposal, it also helps us to appeal to, and welcome potentially new, guests to our pubs.

We also engage with WRAP to explore opportunities to work with our wider supply chain to reduce food waste and the associated packaging waste.

CO_2 emissions reduction

Our target for Net Zero is explained on the previous page, together with the initiatives we have implemented and our focus for the year ahead. In addition, our 'Going Green' campaign was launched this year which is aimed at encouraging our pub teams to conserve energy and reduce emissions.

EMISSIONS DATA

Currently we do not report the Scope 3 emissions by our supply chain. We are working with the Zero Carbon Forum and our suppliers to calculate this data in future years.

Notes to emissions data:

1. We report on all the measured emissions sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.
2. Data collected is in respect of the year ended 30 June 2022, in accordance with the Streamlined Energy and Carbon Reporting regulation.
3. Total gas consumption compared to last year increased by 23%. Electricity consumption increased by 20%. To reduce the energy consumed we focus on various initiatives each year. Our catering equipment is sourced to increase efficiencies, including fryers that filter oil to increase oil life, and high-efficiency chargrills. All of Marston's cabinet refrigerators purchased are high-efficiency hydrocarbon units. We install LED lighting in all internal areas, and use integrated movement sensors in our back of house areas, reducing the operational hours of lighting. We installed voltage optimisation in all of our new-build sites and have retro-fitted them into other sites across estate. This year, we have also increased the proportion of electricity from renewable sources, which now accounts for 10% of the energy consumed.
4. The Greenhouse gas emissions intensity ratio was distorted in 2021 by the trading restrictions during the pandemic. While we took steps to reduce energy usage in our pubs when impacted by trading restrictions, we still had to maintain refrigeration, heating and lighting in order to trade, particularly in those pubs where the manager lives on site.

RESPONSIBLE BUSINESS CONTINUED

Environment – TCFD report

This is the first year that we have produced a TCFD report, detailing the impact of climate change on our business, which includes the risks and opportunities it brings and the pathway towards achieving carbon neutrality by 2030, and Net Zero by 2040.

An Executive summary of the report is included below, and the full report is available at **www.marstonspubs.co.uk**. Marston's is determined to play its part in meeting the challenge posed by climate change. Our Net Zero plan will align our business to the future low carbon economy.

We are making progress with industry partners to calculate the Scope 3 emissions for energy consumed by our supply chain, and making improvements as data becomes available from suppliers.

Our emissions over the last three years were impacted by the pub lockdowns and trading restrictions in 2021. The increase in emissions and energy in 2022 predominantly reflects the lifting of those restrictions.

TCFD disclosure compliance
The full financial impact of climate change and Net Zero cannot presently be quantified, though we hope to provide this in future years, as the costs and opportunities become more certain. In the meantime, we have reduced our long-term growth rate by 0.2% as a potential impact.

Climate change viability
Risks are not significant enough to impact our viability. Well placed to deal with challenges, seize opportunities and adapt.

CORE BUSINESS ACTIVITIES IMPACTED

Buildings | **Drink supply** | **Food supply** | **Logistics to our pubs**

KEY RISKS AND OPPORTUNITIES FOR OUR BUSINESS

Extreme weather | **Legislation**
Short term (1 to 5 years) > > > > > >

Consumer habits | **Technology**

Flooding
Long term (over 10 years) > > > > > >

Water scarcity

KEY AREAS FOR ACTION ON CLIMATE CHANGE

Procurement
Miles travelled, energy and resources consumed.

Food wastage
Production, guests, storage and supply chain.

Waste
Packaging waste, plastics, volume and recycling levels.

Energy
Sourcing renewable energy, efficiencies, mix of sources, reduction and emissions.

OUR NET ZERO TARGET

Carbon neutral by 2030
(Scope 1 & 2 emissions)

Carbon Net Zero 2040
(Scope 1, 2 & 3 emissions)

IMPACT SUMMARY

- Two pubs at risk of annual flooding.
- Flooding damage across the estate over the past 10 years: £3.2m.
- At present, no increasing trend of flood damage costs impacting our pubs over the last 10 years.

POINTS OF PROGRESS

- Net Zero: move towards the electrification of the estate.
- Innovation – installation of 123 rapid EV chargers in our pub estate, assisting our guests to move to low carbon transport.
- Water conservation – water saved by operating our own water licence.
- Energy efficiency within our buildings, kitchen and equipment. Review and investment.
- Promoting employee awareness through our campaigns 'Going Green' and 'Wise up to Waste'.
- Guest insight tracking our consumer preferences regarding their choices, price sensitivity versus climate change impact.
- Technology opportunities – investigation and implementation of new catering equipment and building materials and specifications to reduce emissions.

Environment – TCFD report

◪ Recommendations we have made significant progress against, and plan to enhance our disclosure further. The disclosures are not fully compliant with the TCFD requirements.

■ Recommendations we have been able to fully disclose against.

This report has followed the guidance set out in Recommendations of the Task Force on Climate-related Financial Disclosures (June 2017) available at www.fsb-tcfd.org.

At the time of publication, we have made climate-related financial disclosures consistent with the TCFD recommendations in our TCFD report against:

- Governance (all recommended disclosures).
- Risk management (all recommended disclosures).
- Strategy (disclosure (a)).
- Metrics and targets (disclosure (a)).

For strategy disclosure (a), further work is underway to enhance the identification, impact and reporting for climate-related risks and opportunities, and how these risks map over the short, medium, and long-term. We will update our TCFD reporting as these identified climate-related risks and opportunities evolve over time.

For metrics and targets (a), we are making progress with industry partners to calculate Scope 3 emissions within our supply chain and will include this data within our TCFD reporting when it becomes available.

We have not included climate-related financial disclosures consistent with the TCFD recommendations in relation to:

- Strategy (disclosure (b) – financial impact and disclosure (c) – scenario planning).
- Metrics and targets (disclosure (b) – Scope 3 emissions and disclosure (c) targets).

Due to a lack of reliable data or uncertainty, particularly regarding future weather forecasting, we have further work to do to be able to enhance our disclosures with respect to strategy and metrics and targets. That work is underway and, as the availability of reliable data increases in future years, we hope to further strengthen the level of compliance with the recommendations.

Please find below a summary of the TCFD recommended disclosures with a key to highlight our progress in achieving them.

Theme	TCFD recommended disclosure	2022	Our disclosure	TCFD Report pages
Governance	a. Describe the Board's oversight of climate-related risks and opportunities	■	The Board is responsible for the strategic direction of the Group, including climate-related risks and opportunities.	▸ PAGE 6
	b. Describe management's role in assessing and managing climate-related risks and opportunities	■	The Executive Committee is responsible for ensuring that management has the appropriate resources in place in order to implement our business strategy, including those aspects which connect to climate-related risks and opportunities.	▸ PAGE 7
Risk management	a. Describe the organisation's processes for identifying and assessing climate-related risks	■	The risk register for climate change is managed by the Director of Corporate Risk. Formal meetings to assess the risks with the risk owners are held and the assessments are re-evaluated as conditions change, to consider whether the risk could have a material financial impact on Marston's.	▸ PAGE 8
	b. Describe the organisation's processes for managing climate-related risks	■	Marston's has three strategic priorities, each of which are linked to the effective control of climate-related risks and opportunities.	▸ PAGE 10
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	■	Environmental risks are assessed in terms of their potential to cause significant impact on our business in either a short, medium or long-term timeframe. We consider how the implementation of identified mitigating factors can support our strategic resilience to climate change.	▸ PAGES 10–14

RESPONSIBLE BUSINESS CONTINUED

Environment – TCFD report

Theme	TCFD recommended disclosure	2022	Our disclosure	TCFD Report pages
Strategy	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	■	Risks registered, including business impact, mitigations and linked opportunities.	▸ PAGES 10–14
	b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	◪	The report shows the links between our three strategic priorities and the actions we take for the sustainable management of procurement, food, waste, general waste, energy usage and investment. The financial impact of climate change and Net Zero has been quantified as a reduction in the long-term growth rate of 0.2%. We hope to provide more analysis in future years as the costs and opportunities become more certain.	▸ PAGES 10–14
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a +2°C or lower scenario	◪	The modelling which is most pertinent to our business is for flooding within the UK. Environmental predictions about climate change within the UK up to global warming of 2°C are speculative and impractical, particularly when applied to a large number of individual properties. As an alternative we have considered which of our properties are in low, medium or high-risk areas for flooding as defined by the Met Office. From our assessment, we do not consider that we have high climate-related viability risk in the short to medium term on our direct operations.	▸ PAGE 15
Metrics and targets	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	■	Marston's employs the services of an energy bureau (ISTA) to identify our monthly energy usage per site and calculate the total Scope 1 & 2 emissions across our estate. ISTA collect electricity and gas meter readings from our sites, working alongside our Energy Manager to estimate readings, if none are available, and investigate unusual recordings.	▸ PAGE 17
	b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	◪	Marston's provides a full disclosure of Scope 1 & 2 risks. For Scope 3 emissions, we are making progress with industry partners to calculate these emissions, and collect the data as it becomes available from suppliers.	▸ PAGE 17
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	◪	Our target is our Net Zero plan and our move towards the electrification of the estate. The financial impact of climate change and Net Zero cannot presently be quantified. We hope to provide this in future years as the costs and opportunities become more certain.	▸ PAGE 18

RESPONSIBLE BUSINESS CONTINUED

People

Our people at the heart of our business

Our vision is 'Pubs to be proud of' and we recognise that we need engaged and motivated people to help us achieve our vision and strategic objectives.

READ CASE STUDIES ONLINE

Employee engagement score

7.8

Employee engagement participation for 2022

75%

Our people are at the heart of our business and we have a responsibility to support and develop them to reach their potential. Effective two-way communication is also critical: to simultaneously inform and listen, to continually drive both understanding and engagement.

Our people strategy aligns to our corporate strategy and purpose, ensuring we remain focused on the people priorities that support and deliver our strategic objectives.

Our people strategy

The objective of our people strategy is to engage and enable our teams to deliver a great guest experience, supporting the business on its journey to 'Pubs to be proud of'. Wherever possible, the initiatives delivered through our people strategy are aligned with our strategic objectives.

1. We are guest obsessed
To deliver a great guest experience, the critical success factors are attracting and retaining the best people and ensuring that our teams are trained to deliver a consistently great guest journey. We use innovative platforms such as Attensi, which delivers training through gamification, ensuring it is fun as well as informative.

2. We raise the bar
We continually strive for improvement through training and development. This year we have continued with our Leadership programme, which our general managers have engaged enthusiastically with, allowing us to identify and support talent. We have also invested in the development of the Leadership Group ensuring that we have highly skilled and empowered senior leaders committed to raising the bar at every opportunity.

3. We will grow
Our vision is to be an 'employer of choice', with a rich and diverse mix of people who reflect the society and communities in which we work and serve. Our 'People Promise' was launched in November 2022 and this is a huge part of how we intend to bring our vision to life.

This year we have continued to work hard on further embedding our people strategy, focusing on the follow areas.

Areas of focus this year

Resourcing
Following the appointment of a new Director of Talent Acquisition and Employer Brand, we have introduced several innovative initiatives to improve our recruitment programme, including an app-based recruitment platform facilitating shorter hiring timelines and reaching a wider pool of talent. We have also improved our digital communication strategy to ensure we are leveraging all social media channels in our search for the best talent.

Reward
We recognise that economically we need to ensure we are offering attractive rates of pay relative to other sectors, in order to attract and retain the best talent. In March 2022 we increased the minimum hourly wage rates in the business, ahead of the national minimum wage rates for all age groups. We view this as a key investment in our people that will help improve standards and limit churn rates. We are also making a one-off cost-of-living supplement to our lowest paid salaried employees, to help support them financially.

RESPONSIBLE BUSINESS CONTINUED

People

This year, we launched the '800-Club'. This financially rewards and recognises our general managers and Pub Partners who are consistently raising the bar by achieving a Reputation score of at least 800 and an EHO score of 5*.

Training and development

We have relaunched our Performance, Career & Development Review process (PCDR). PCDRs provide a framework for regular one-to-one and quarterly reviews and are now hosted on Marston's Campus; our digital learning platform. This refreshed process has enabled a greater focus on employee development, career progression and wellbeing. It also supports our teams to be present and passionate about their career journeys whilst being aligned to our behaviour framework and strategic objectives as both are signposted throughout the PCDR form.

People Promise

We have also been working on our employer brand; our 'People Promise' launched in November 2022. This is the articulation of our people offer: the give and the get of working for Marston's. Building engagement internally, and our reputation externally, our People Promise will be used as a narrative and way of communicating with our employees and candidates alike. It was developed by engaging with employees at all levels across Marston's and it encompasses everything we do to position ourselves as an employer of choice and what sets us apart from our competitors.

Employee engagement

Employee engagement remains one of our KPIs and also forms part of our bonus structure. We want our people to be engaged in their work, supportive of our vision and feel motivated to achieve our strategic objectives. To this end, we have continued with our monthly 'Your Voice' surveys, delivered by Peakon and now available to all employees and our Pub Partners. The surveys are delivered digitally, completely confidential, and provide managers with actionable insights and suggested action plans through an integrated dashboard. Some tangible actions we took this year as a result of feedback received through Peakon include:

- Enhanced our employee benefits, including deeper employee discounts in our pubs to support our new menu launch.
- Improved communication channels, particularly for the communication of our strategy and performance against our KPIs.
- Increased mileage rates to respond to the rising fuel prices.
- Prioritised financial wellbeing through education tools and financial support such as the cost-of-living supplement and national living wage increase.
- Worked with managers to ensure that they understood the link between engagement and performance and provided training on the Peakon system to ensure that action plans were implemented.

Communications

Our internal communication strategy is focused on four key priorities: to inform, to inspire, to engage and to enable. This year we have invested in the way we communicate with our employees and have carefully designed or redefined communication channels to provide our people with the information they need, in the format that is right for them, enabling them to provide great service – whatever their role. Great communication also helps to build an inclusive culture where people feel welcome. How we treat each other, and our guests, should reflect the caring culture and values that define our business.

Apprenticeships

The number of apprentices in learning is continuing to rise across our pubs, bars, and pub support centre – from 140 in August 2021 we now have 326 apprentices. This is driven by the improved awareness throughout the business, supported by the PCDR process and a desire to use on the job training as a pipeline for new talent, or to develop existing employees through accreditation or MBA programmes.

We introduced our Marston's Chef Academy in May 2022, partnering with Lifetime Training. Through a series of masterclass workshops and enrichment days we are offering new and existing kitchen team members the opportunity to develop their practical cooking skills and acquire new knowledge.

We continue to see stronger interest in professional development from our front of house teams too, with 61% versus 39% last year in chef apprenticeships. Participation in leadership apprenticeships (level 3 and above) has continued to increase from 35% of all apprenticeships in August 2021 to 47%.

As part of our commitment to raise awareness of apprenticeships, Marston's is an award category sponsor for 'Ladder for the Black Country Apprenticeship Awards' in conjunction with Wolverhampton Council and the Express & Star newspaper.

School engagement

During 2022 we continued our collaboration with 'Loving Hospitality' engaging with students aged 14–16 at National Apprenticeship Shows in Sandown, Milton Keynes, Exeter, Manchester, Harrogate, Bristol, and Coventry, to showcase the career opportunities available within hospitality. We have been able to reintroduce our 'Take 5' work experience programme, supporting 20 student placements during the 2022 Spring/Summer term.

Our Pub Partners and their businesses

Our Pub Partners are an integral part of our business and influence the character and diverse mix of our pub estate. We recognise that our Partners' commitment to their businesses is what determines their success. The owner/entrepreneur mentality of a franchisee-style agreement helps to drive sales.

READ CASE STUDIES ONLINE

Our Pub Partners now have the use of Reputation, for guest insight and Peakon, for employee engagement

Whilst trading conditions have been challenging this year, particularly in the first half owing to the emergence of the Omicron variant, we have continued to support our Partners to help make their businesses a success. This included additional support for our Partners in Wales, whilst they were subject to extended periods of lockdown, and local support on a pub-by-pub basis supported by committed and passionate business development managers.

We currently offer a range of agreements to suit our Partners, from Retail, Foundation and a tenancy agreement. In 2021, we introduced our Pillar Agreement, a new style of turnover-share agreement which allows our Partners to have the freedom to implement their own food offer, but still benefit from all of the positive elements of a franchise model, including Marston's drink expertise and cost efficiencies. Our Partners are free to innovate and their passion creates unique pubs which are often at the very heart of the communities they serve. We currently have 64 pubs operating under Pillar and we are trialling the model in 4 food-led pubs that were formerly part of our managed estate.

With our expertise and purchasing power, we are able to provide a package of support and development tools to our Pub Partners. Every Partner receives complimentary access to Marston's Campus, our training and development platform, which includes a plethora of e-learning courses, webinars and help with apprenticeships. We also support with training record cards for the Pub Partners' employees, providing support for EHO and licencing compliance, and applying for a personal licence to retail alcohol via the British Institute of Innkeeping.

FOR MORE INFORMATION ON THE TYPES OF AGREEMENTS WE OFFER, SEE OUR WEBSITE: WWW.RUNAMARSTONSPUB.CO.UK

This year we have also offered our Pub Partners access to Reputation. This enables our Partners to gain the same guest insight that has been transformational for Marston's and provides a platform for them to listen to, and communicate with, their guests as well as refine the guest experience using actionable insights.

We are committed to engaging with our Pub Partners and have invited them to participate in the Peakon engagement surveys. This provided a platform for Pub Partners to share their views on a confidential basis and help shape their experience at Marston's. Like our employees, Pub Partners have their own Peakon app, with a personal dashboard to access their own feedback, and Business Development Managers can acknowledge and respond to comments as well as develop action plans to address the issues that matter to our Partners the most.

RESPONSIBLE BUSINESS CONTINUED

People

"

What attracted me to Marston's Pillar Partnership was the ability to still manage and operate my business how I wanted, but I have support from Marston's for maintenance so a lot of stress in regards to certain bills and overheads are gone. I'm still in control, I can still create my own menu and I am using all local suppliers, but I have the support and the backing from the pub company.

NICKY MAYHO
ROSE COTTAGE, OLLERTON

Our Partner Strategy

1. Choice/flexibility
The key to success is matching the right pub and the right person to the right agreement. We take time to understand the applicants for our pubs; ranging from seasoned licensees with many years of experience, to those who have never run a pub before but have a burning ambition and the right mindset to do so. We offer a diverse range of opportunities and the type of agreement offered reflects the experience, confidence and ambition of the applicant.

If we think that an applicant is unsuitable we are honest about that from the outset, recognising that mutual success can only be achieved in a genuine partnership arrangement.

2. Training
Our Partners are provided with a detailed induction and support to open their business, together with ongoing training and development opportunities through Marston's Campus or on a one-to-one basis, depending on their needs. As well as business acumen and operational excellence, running a pub requires knowledge of many areas of law and compliance, including licensing, health and safety and food hygiene. Our training and support includes everything our Pub Partners need to know; from financial management and stock control to leveraging social media and marketing support.

3. Business support
Our Pub Partners are supported by Business Development Managers who maintain regular contact and are always available for advice and support.

Our Partners also benefit from the range of experience held by our experienced management team including our Regional and Area Managers.

4. Drinks agreement
At Marston's we understand the important part we play in providing a comprehensive range of quality drinks. Our drinks strategy is reviewed regularly to ensure we remain competitive and offer a portfolio which meets with an ever-changing consumer demand. The different types of agreements offer varying degrees of a drinks-tie, but our experience and guest insight helps ensure that all our Pub Partners have access to a range which supports them to serve their guests with the drinks they know and love.

5. Investment
We have the utmost pride in our pub estate, recognising that the character of these buildings is a vital part of the appeal to our guests. It is also one of our drivers for organic growth. Our 'Make Capex Great' plans on page 16 includes our Partner Pubs and, at a more local level, our estates management helpdesk is always available to support our Pub Partners with maintenance issues, ensuring their pub is safe and inviting for guests. Some of our partnership agreements will see us taking care of all repairs, while others share responsibility with the Pub Partner.

RESPONSIBLE BUSINESS CONTINUED

Community

Our pubs are at the heart of their communities

Our pubs are highly valued by the communities which they serve. We believe that strong local relationships and understanding what is important to the local guest is essential for the long-term success of our pubs; irrespective of the operating model.

READ CASE STUDIES ONLINE

Where local groups exist, our pubs are encouraged to engage with the following community initiatives; please visit the links below:

Best Bar None: www.bbnuk.com

National Pubwatch: www.nationalpubwatch.org.uk

Purple Flag: www.nbcc.police.uk/guidance/purple-flag-scheme

As part of the evolution of our pub estate, we have categorised all of our pubs into one of three core formats: Community, Signature or Revere. This simplification of our estate enables us to clearly define, and respond to, what the local guest and their community value most.

This year we have refined our social purpose agenda under 'Doing more to be proud of', and strong social and charitable partnerships will be a key focus for the year ahead under the stewardship of our Director of Talent Acquisition and Employer Brand. Our pubs continue to support their local communities and charities and we support and encourage them to do so.

In May this year, a number of our employees took part in a sponsored skydive raising over £13,000 for The Burnt Chef Project, a not-for-profit organisation that is committed to raising awareness of, and providing support for, mental health issues within hospitality across the world. More information on the Burnt Chef project can be found on page 14, including how we have partnered with Burnt Chef to provide training on mental health in the workplace.

Our Pitcher & Piano team in Hitchin won our internal Pride Month competition and they were able to nominate a charity for a £250 donation from Marston's Charitable Foundation. The money was donated to MindOut, a mental health charity for the LGBTQ+ community and this helped pay for 25 counselling sessions.

Two members of the team from Willows in Blackburn walked from the west coast of England to the east in just five days. They raised over £3,000 for Derian House, a local Children's Hospice that provides respite and end-of-life care to more than 450 children and young people across the North East.

Social purpose

We engaged with our employees about which national charity partner they would like to see us partner with, ultimately choosing the Trussell Trust. They provide a nationwide network of food banks and emergency food and support. We are in the process of finalising how we can help support the Trussell Trust through corporate partnership and contribute to ending food poverty. We are also trailing Too Good to Go in 6 of our carvery sites. Other key partnerships include our support of the Burnt Chef Project and the Latitude programme and more information can be found on our website: **www.marstonspubs.co.uk**.

Marston's Charitable Foundation
Marston's Charitable Foundation re-launched this year. This scheme enables our employees to donate directly from their pay, to support causes close to the hearts of our pubs and their local communities. We are encouraging as many people as possible to contribute so we can complement other fundraising and help ensure that smaller, local charities and causes have access to support, particularly during the tough economic climate.

RESPONSIBLE BUSINESS CONTINUED

Community

Offering great quality experiences for our guests is our top priority

We constantly strive to create happy, meaningful, memorable experiences. Providing good food and drink is at the heart of our business. Keeping that offering special and innovative is what our guests love.

READ CASE STUDIES ONLINE

Improvement in Reputation score since new menu launch in April 2022

44

Our guest strategy

As with all other areas of our business, wherever possible, all initiatives are aligned with our strategic objectives:

We are guest obsessed – using insight led data to dynamically respond to feedback at pace, aiming to improve the quality of our guest journey and overall experience.

We raise the bar – we constantly seek to improve guest satisfaction; whether through improved speed of service from reducing operational complexity, or ensuring we follow safe and ethical standards.

We will grow – aimed at improving our margin and increasing our market share. We continue to work on category plans to improve our offer, additional revenue opportunities and more disciplined pub investment decisions.

Food and drink development

Our food and drink menus have been reviewed and streamlined during the year. As well as helping us to reduce food waste, the review process involved listening to guest and employee feedback and responding to their preferences, suggestions or concerns. Insight from Reputation tells us that quality of food and drink is the single biggest influencer of guest satisfaction.

Furthermore, we have transformed our menus across all the digital platforms. Menu information is provided to our guests in a clear and engaging way and we have worked with Ten Kites Nutritics to improve the way we display allergen and calorie information on our menus, allowing our guests to make informed choices more easily. Our menus are now fully integrated with our websites and can be filtered based on guest preference, allergens or lifestyle choices such as vegetarian or vegan dishes.

We continue to invest in systems and work practices that provide accurate information on allergens and nutritional content. From our suppliers through to our kitchens, and to the information provided to our guests, we have worked to enhance the flow of this data to increase its reliability and ease of delivery. The system also helps us to monitor criteria important to us as a responsible retailer under our 'Doing more to be proud of' initiative, including ensuring that our suppliers implement responsible procurement practices and comply with our Food Charter.

RESPONSIBLE BUSINESS CONTINUED

Community

Areas of focus this year

- Implementation of calorie labelling on menus (launched in April this year).
- Compliance with Natasha's Law which introduced mandatory allergen information on pre-packed food prepared on site, including support for our Pub Partners.
- We continue to make progress with our salt reduction targets set by the Office for Health Improvement and Disparities when creating new menu items. We are working towards the 2024 targets on all our items and, based on our previous work in this area, we are in a good position to achieve these.
- We are continuing to commit to redeveloping all own brand products where egg is used as an ingredient, to be cage free by the end of 2025. All shell eggs in our supply chain have been cage free since early 2019.

Progress against key targets

Reputation score

Reputation generates an aggregate score for our pubs based on numerous factors, such as Google ratings and feedback on social media. This platform is loved by our teams for its simplicity and the impact it can have in understanding their local guest preferences and concerns, and providing actionable insights. Our score has increased by 100 since its introduction, but we see an opportunity to further improve this score and it remains one of our KPIs for this reason.

Allergens

Allergens training is mandatory and this reinforces how highly we value the importance of equipping our teams with the right knowledge, and responding to the needs of our guests. We have also launched an allergy auditing programme, which involves mystery guest visits.

RESPONSIBLE BUSINESS CONTINUED

Community

Our supplier relationships are fundamental to long-term success

The pressure on our supply chains has continued this year as we all manage global and domestic issues, such as price rises, labour shortages and rising commodity and energy costs.

READ CASE STUDIES ONLINE

Suppliers onboarded on SEDEX

86

We have worked with our suppliers to help reduce these exposures and to try and find solutions.

Despite the adversities and uncertainties in the current market, on the whole, we have been successful with our core food suppliers in negotiating and renewing our key contracts. This has demonstrated the commitment of our trusted suppliers to work through the wider issues currently impacting upon the economy, and we thank them for their ongoing support.

Our supplier and procurement strategy

Our procurement strategy is built on relationships which create sustainable profitability for both ourselves and our suppliers. Our supplier selection and tender process is designed to ensure that we identify key commercial/legal risks at the outset and sufficient information is shared by both parties. Material tenders are managed by dedicated procurement specialists and supported by subject matter experts, where appropriate. Where possible, we involve our suppliers in our business plans, building mutual trust and supply chain resilience. We value long-term relationships, as evidenced by the duration of many of our core suppliers of food and services.

We seek suppliers who reflect our own corporate values, which is demonstrated during the selection process and supported by accreditations and the use of SEDEX.

Food Supplier Charter

Our guests have a right to expect a high level of diligence in the sourcing of goods, products and services. With regard to food supplies, our food charter sets out our expectations on quality of product, traceability of ingredients, ethical approach, sustainable sourcing and associated labour practices. The Charter also conveys our expectations for suppliers to reduce their own environmental impact by minimising unnecessary packaging and choosing recyclable materials, wherever possible. This forms part of the contractual commitment when onboarding a new supplier.

The Charter is reviewed each year and updated as necessary and includes the Office for Health Improvement and Disparities 2024 salt targets and calorie targets. Our suppliers work with us to achieve these targets, particularly when new items are launched. In the coming year, we expect to be able to launch a Drinks Supplier Charter in the same vein.

RESPONSIBLE BUSINESS CONTINUED

Community

Impact of border controls

The UK Government has delayed the border checks on all goods coming from the EU until the end of 2023. The imposition of border controls risks creating delays on the importation of fresh food and meat from Europe. The revised timetable has arguably reduced the strain on food imports and allowed more time for the UK Government to ensure that the necessary infrastructure and resource is in place.

Ethical sourcing

Our preference is to select suppliers who share our ethical values on matters such as the environment, employment rights, equality, inclusivity, modern slavery and safety.

We are full members of SEDEX, which is a platform used by many companies to share information on ethical trading, including labour practices. We are working with our existing suppliers to ensure that they register with, and provide the necessary information to, SEDEX to enable us to further improve the visibility and reliability of our supply chain.

Our drinks supplier: Carlsberg Marston's Brewing Company (CMBC)

Since October 2020, CMBC has been our exclusive distributor of drink products and CMBC has worked with us to meet the challenges in sourcing the global drink brands enjoyed by our guests.

In 2022 CMBC aimed to source 100% of its energy from renewable sources, reduce emissions from breweries by 50%, and reduce emissions within its own operations and from its suppliers by 15%. CMBC is working towards zero carbon emissions from its breweries by 2030, and a 30% decrease in emissions across their supply chain.

Modern slavery

Our full Modern Slavery Statement is available at **www.marstonspubs.co.uk**.
The information shared by suppliers on SEDEX includes how they are responding to the risk of modern slavery, allowing us to follow up any issues raised.

NON-FINANCIAL INFORMATION STATEMENT

Marston's PLC aims to comply with the non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. The information set out below, together with signposts to other relevant sections of the Annual Report and our corporate website, is intended to assist users in understanding the Company's position and approach to the following key non-financial matters.

Our policies can be found on our website **www.marstonspubs.co.uk**

Reporting requirement	Our approach	Supporting information	Where to find it
Sustainability	Our ESG initiative 'Doing more to be proud of' supports our environmental plans and our commitment to being a sustainable business.	TCFD report Responsible Business Environmental	▸ PAGES 29–31 (EXECUTIVE SUMMARY) ▸ PAGES 24–40 ▸ PAGES 26–31 **www.marstonspubs.co.uk**
Our people	• Marston's policies are shared with all our employees on our Company intranet 'the Hub' and website; many of which can be viewed publicly. • The health and safety of our people and our guests is of paramount importance to us. • Our 'Speak Up' Policy and activities are overseen by the Board and undergo annual review and campaigns to raise awareness amongst our people. • Corporate hospitality – Rules to be followed by all employees governing the acceptance of gifts or hospitality, the approval process and reporting. • Competition law – Outlines Marston's overarching commitment and practices to comply with the relevant legislation on competition law matters.	Our people Health and Safety Policy 'Speak Up' Whistleblowing Policy Corporate Hospitality and Gift Policy Data Protection Policy Equal Opportunities Policy Equality, Diversity and Inclusion Policy Food Safety Policy Fraud Policy Group Purchasing Policy	▸ PAGES 32–33
Human rights	Modern Slavery Statement		▸ PAGE 40 **www.marstonspubs.co.uk**
Communities	• The Pubs Code – The Pubs Code regulates the relationship between pub companies owning 500 or more tied pubs in England and Wales and their tenants. Information from the Pubs Code Adjudicator can be found at: **www.gov.uk** • Food Supplier Charter – A combination of training, compliance testing, internal and external auditing and assurance gathering contributes to the due diligence of the policies that support our approach to the five key non-financial matters. • Food information system – Food ingredient information collected from our suppliers used to formulate our dishes, identify allergens and communicate food constituents to our guests.		Audit Committee Report ▸ PAGES 69–71 **www.marstonspubs.co.uk** ▸ PAGE 37–38

NON-FINANCIAL INFORMATION STATEMENT CONTINUED

Reporting requirement	Our approach	Supporting information	Where to find it
Anti-bribery and corruption	Our Anti-bribery and Corruption Policy sets out our commitment to conducting our business operations in a fair and ethical manner and our zero tolerance approach to any form of bribery or corruption from our people, suppliers or any third parties.	Anti-bribery and Corruption Policy Anti-money Laundering Policy	**www.marstonspubs.co.uk**
Due diligence	Due diligence activities during the year have included: • Anti-money laundering controls testing and awareness training • Pubs Code compliance • Pub financial audits • External pub safety and food supplier audits • External verification of energy emissions • Review of our 'Speak Up' Policy and reports by the Audit Committee.		
Other matters	• Business model • KPIs • Principal risks The principal risks relating to key non-financial matters are market and operational, pandemic, health and safety, food safety, political and economic, information technology and energy. Ultimately, risk management is about control and the way we manage and mitigate those risks is set out in detail in the Risk Management section. The Risk & Compliance Committee reviews the principal risks, conducts deeper dives into singular areas of risk and tracks emerging legislation and the potential impact on the business. The Committee considers the Internal Audit plan and results, plus compliance testing carried out by Internal Audit. Compliance with legislation and the Company's policies is also tested.		▶ PAGE 7 ▶ PAGE 9 ▶ PAGES 43–52

RISK AND RISK MANAGEMENT

Managing uncertainty and new opportunities

The pandemic at the start of the financial year continued to influence trade in the hospitality sector. Our trading environment in that period was caught between a confluence of challenges; supply chains globally were still being impacted, risking shortages of products.

For our pub teams, we experienced a higher number of team absences due to COVID-19. Recruitment has been ever more challenging as the labour market has tightened. As a result, the pre-Christmas period – which is normally a buoyant time for trade – was distinctly muted by people's nervousness about meeting in groups before the holidays.

In order to protect the liquidity of the business, Marston's has cut costs, reduced capex and secured temporary waivers from our bondholders to breach covenants. This has allowed the business to manage its financial risks and operate well within its financial cash headroom. The business focused on prudent cash management and the continued organisation of the business into a pure pub operator.

At the beginning of the year our IT network was still running many of the core processes for CMBC, such as the sales order process and payroll. This was always planned to be a short-term measure to minimise any risk of disruption or loss of data from the separation of our businesses. During the year, our IT network was separated completely from CMBC. This required careful project management and control of risk to ensure that both businesses' operations were unaffected by the transition.

The continuous operation of our supply chain was at a higher level of risk during the year.

Whilst the economy adjusted following the pandemic, the global demand for commodities, technology and energy intensified as demand in many areas out-stripped supply. Our food supplies, in particular those from overseas, require unimpeded routes of transport in order to remain fresh. However, the delivery of goods to our pubs has remained strong despite these challenges.

The new risk environment and the changing dynamic of our guests, together with a resurgent demand amongst people to meet and enjoy pubs, created a unique opportunity for us to re-evaluate our place in the market. We realigned the management of our estate and relaunched our offering, in collaboration with our suppliers. This opportunity has allowed us to understand our guests in more depth and thereby identify the commercial opportunities across our estate, by adapting the pub format to closely match local demand. The opportunity allowed us to completely relaunch our menu in time for Easter, stripping out what was less important to our guests and ensuring that the items which mattered the most were best in class.

Risk management at Marston's

The Board and Audit Committee recognise the importance of sound risk management in order to achieve our strategic objectives. We continually assess the threats and opportunities and design our risk management processes so they are integral to our business and fit to meet the changes in this operating environment. The trading environment in which our business operates changed as a result of the pandemic. These changes have been compounded by other global, economic and geopolitical factors including: inflation, energy prices, labour shortages, global demand, and recession.

External factors will always change the risks faced by our business, many of which, such as pandemic, are unavoidable and must be robustly mitigated if our strategic objectives are to be met. Our risk management processes aim to anticipate risks before they impact upon our activities, to ensure that we are in the best place to mitigate them and recognise the opportunities they bring in a competitive marketplace. Our guests have a high expectation that our business operates in a safe manner, upholding the high quality of the drink and food sold and our reputation for excellent service.

Risk management is primarily aimed at the control of uncertainty. For all our key risks, we identify the key mitigating controls and their ownership. Our assurance activities are focused upon those key risks so that we continually understand the strength of our controls. Maintaining a strong relationship with our guests is implicit to our success. Our guest surveys provide essential information about our levels of service. We manage the risk to reputation by using Reputation.com to collect social media scores across all our managed and retail sites. The scores help us to direct focus on those sites where improvements will matter the most.

We build resilience into our supply chain while recognising the commercial importance of taking risks within an acceptable tolerance. We invest in our IT network to ensure there is enough capacity and resilience to mitigate the threat of disruption. We actively consider and rehearse unexpected scenarios which could impact upon us at short notice.

This in turn informs the practices and policies which we follow, and the emergency plans we adopt. Our people strategy and behaviour framework is aligned with our corporate policies to articulate what the business expects of our employees.

Our appetite for risk

Marston's is open to taking risks, providing those risks align with, and help us to achieve, our strategic objectives in a responsible way and within agreed parameters. Marston's will, wherever possible, remove those risks completely that pose a threat to achieving the strategic objectives. If avoidance is impossible, Marston's will seek to mitigate risk by investing in effective controls or by sharing risks with a third party. These controls are managed and monitored to give assurance that the risk level is in accordance with the parameters set by the Executive Committee. It is our understanding that our overriding principle of care for our stakeholders, our communities, and the environment is a priority for our strategic objectives. We continually review risk to ensure we guard against any threats to health, hygiene or safety.

This statement represents the Board's appetite for the level of risk which it is prepared to accept to achieve its business strategy. The Board proactively seeks to understand the risks faced, and a shared understanding of the risk management practices operated and their degree of effectiveness.

RISK AND RISK MANAGEMENT CONTINUED

Managing uncertainty and new opportunities

Current key risk drivers

A. Pandemic
The risk posed by COVID-19 has receded since last year. There remains a risk that new waves of infection, or new variants of the virus, might influence our guests' visits or Government policy if the NHS comes under further strain. Additionally, there remains the risk in the future that a new form of pandemic could impact upon our trade. While this risk is small, because it uniquely has the possibility of closing our pubs, it is necessary for us to continually review our resilience to such a crisis.

B. Liquidity
The disruption to trade caused by the pandemic and the consequential impact on profitability could affect the Group's ability to gain additional financial backing. The Group secured waivers from its banks and bondholders recognising the exceptional nature of these circumstances. The Group has a stated aim to reduce debt which will in turn mitigate liquidity risk. Since the trading restrictions on pubs were lifted last year the demand for our pubs and room accommodation has rebounded, demonstrating our long-term viability.
A material uncertainty over going concern has been disclosed in the financial statements as we expect to seek further covenant amendments before 31 December 2022.

C. Health and safety, and food safety
The safety of our guests and our people is a priority for our business. Our team of safety specialists work with our operational teams in order to advise on safety, risk assess, formulate policy, investigate accidents and track the safety scores for each site. Sites are regularly externally audited and the results acted upon by management. Managers' bonuses are impacted by the safety scores. Our sites' safety scores have improved during the year by instilling a safety culture. Food safety has been improved by the development of our food information system, allowing for a more accurate flow of information about the ingredients in dishes from our suppliers to our guests.

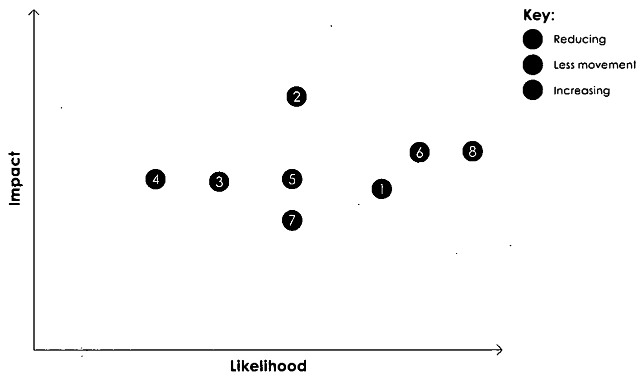
D. Operational risk: supply chain
During the year, our industry has experienced disruption to its supplies of some food and drink items. We have worked with our suppliers to identify problems early so that substitute items can be arranged that have not diminished our guests' enjoyment. The Government has further delayed the full border checking of goods coming from the EU in order to ease the pressure on supplies already stretched.

E. Operational risk: recruitment and retention
Since the pandemic there has been an increased number of vacancies within the hospitality sector. Recruitment remains challenging. To mitigate this, the business has reviewed its competitiveness at recruiting the best people. We actively manage the engagement of our people, surveying and reporting back to our teams the steps taken to address their concerns and listening to their suggestions. We act to keep pay and rewards competitive and respond quickly when issues regarding retention are identified.

F. Energy/TCFD
The volatile energy market this year has impacted upon the prices that we can lock gas and electricity into. Furthermore the energy market could contribute to the economy going into recession. Our energy contracts bring some certainty to the cost of energy in the year ahead for our managed and retail pubs. However, our Pub Partners' businesses are individually exposed to the movement in prices depending upon their own contracts. Climate change will impact upon future energy costs and the investment necessary to decarbonise our business. The risks and opportunities associated with climate change for our business are set out, this year, in our first TCFD report, which is available to download from **www.marstonspubs.co.uk**.

Principal risks

The risks are plotted on the matrix according to impact and likelihood.
The placing of the risk reflects the position after the mitigation by controls.



1. Market and operational
2. Pandemic
3. Liquidity
4. Health and safety, food safety
5. Financial covenants and accounting controls
6. Political/economic
7. Information technology
8. Energy

RISK AND RISK MANAGEMENT CONTINUED

Our principal risks and uncertainties

The following principal risks are recognised by the Board as those that could impact upon the operation of the business and the achievement of its strategic objectives.

Risk movement key: Increased Decreased No change
Linked opportunity key: ⦿

This is not intended to be a complete assessment of all risks as the Group risks change over time.

Risk	Description	Potential impact	Mitigation
1. MARKET AND OPERATIONAL ▸ LINK TO STRATEGY	During the current cost of living crisis, including high inflation and consumer price sensitivity, there is an increased risk that our prices become uncompetitive. Inflationary pressure on costs might be difficult to pass on, resulting in reduced margin. Marston's revenue is dependent upon being able to offer, and attract, our guests to an enjoyable experience of high quality food and drink at the right price. It is reliant upon attracting existing guests back and winning new guests. To achieve this we compete for high calibre people to operate our pubs and focus heavily upon their training and management. We carefully choose our suppliers and the food and drink offered to our guests. Uninterrupted operations are dependent on the continual supply of goods and services, often from single sources. The operational performance of our suppliers is materially significant to our total profit. Failure to attract or retain the best people can impact our pubs' performance. Recruitment is more competitive due to a tightening labour market and wage inflation. Disruption to key suppliers, particularly those closely involved with our day-to-day activities or shortage of commodities could significantly impact our operations. Disruption to food supplies from the EU due to administration, or customs checks, could impact upon our offering to guests if we were unable to find substitutions. These factors could mean over time that our pubs fail to attract guests, or do not reflect changing preferences, or offer poor service or quality.	• Reduction in the number of sales or lost opportunities to increase our value proposition • Reduction in guest satisfaction levels and repeat visits to our pubs • Increased costs as a result of seeking alternative suppliers	• Continual assessment of guest preferences: market and consumer insight data • Continual analysis of sales performance data of single sites and by pub format • Pricing strategy built upon careful analysis, in sufficient detail, of guests' sensitivities • Marketing, including digital marketing campaigns • Tracking guest feedback on Reputation.com and targeting our sites with improvement • Cost control, including menu margin analysis • Investment, location and design of our pubs • Continual awareness of our people offer compared to our competitors through participation in appropriate networks • Improved training, induction and development programmes • Tracking the engagement of our employees and identifying action points for teams • Continual assessment of suppliers' resilience and capacity • Contingency planning with suppliers: identifying how products or services can be substituted

Movement – Increased

Competition to recruit and retain the best people increased during this financial year. Since reopening after the lockdown in 2021, there have been short-term supply chain problems, although any disruption has been alleviated without significantly impacting our guests.

⦿ Linked opportunity

Build the reputation of Marston's as an affordable, high quality experience particularly when consumers are likely to change buying behaviour whilst the cost of living increases.

RISK AND RISK MANAGEMENT CONTINUED

Our principal risks and uncertainties

Risk movement key: Increased Decreased No change
Linked opportunity key: ⦿

Risk	Description	Potential impact	Mitigation
2. PANDEMIC LINK TO STRATEGY	COVID-19 demonstrated how a global pandemic can impact our industry and public life. One would anticipate that at some point in the future another pandemic will occur. The severity of a future pandemic upon human health and the duration of measures taken to reduce the infection rate are uncertain. There is a risk that a variant of COVID-19 or another form of pandemic causes infection rates to increase, leading to future restrictions on the public and trading regulations imposed on pubs and lodges.	• Ability of our teams to operate safely • Reduction to the numbers of guests, and shorter stays at our hotels • Increased operating costs	• Remaining alert to Government advice • Auditing our readiness to implement a response effectively • Adaption of our pubs to facilitate social distancing when required • Training available for our pub teams • Building contingency plans for future lockdowns • Consulting with our employees during an outbreak on safety concerns and operational issues • Simplified menus, streamlined guest offering to concentrate upon offering the highest guest satisfaction at the right margin • Regular scrutiny of asset values

Movement – No change in risk

Pandemic remains a risk to our business. Future variants of COVID-19 are possible, while vaccination rates remain lower in many countries. Future Government restrictions on trading could be announced in response to the NHS once again coming under pressure.

⦿ Linked opportunity

Our pubs were sorely missed during the lockdowns, demonstrating their importance for social interaction and leisure. Pubs benefit from the increase in spend within the locality of the home, as people spend more time at home and are less likely to holiday abroad. The reopening of a pub is a chance to reinvigorate its offering and to stand out to guests.

RISK AND RISK MANAGEMENT CONTINUED

Our principal risks and uncertainties

Risk movement key: Increased Decreased No change
Linked opportunity key:

Risk	Description	Potential impact	Mitigation
3. LIQUIDITY LINK TO STRATEGY	Our financial strategy is to reduce our debt below £1 billion. The UK economy is likely to go into recession as a result of high inflation, rising interest rates, rising costs in energy and a fall in consumer confidence. Consumers will reduce spending as the economy goes into recession and as prices rise. The cost of living crisis created uncertainty regarding consumer behaviour. While in previous recessions pubs have remained attractive and affordable, this might not always be the case.	The liquidity of the business could come under strain as a result of economic pressure on the pub sector, particularly if rising prices cannot be passed on to consumers.	• Seek further covenant amendments to avoid an expected covenant breach at 31 December 2022 • Seek to increase the banking facility through an amend and extend agreement • Reduce debt • Conserve liquid funds by reducing costs • Maintain strong relationships with financial backers • Lobby Government on the importance of the pub trade to the UK economy • Plan for resilience within our financial model to cover an economic downturn

Movement – No change in risk

COVID-19 is no longer the immediate threat that it has been in the last few years. The economy in the UK is weakening, and consumer confidence is falling. The Group can mitigate the impact of this by reducing costs, keeping its offering to guests attractive and affordable.

Linked opportunity

The movement in the economy can stimulate a change in the marketplace as higher-priced or less attractive operators are forced out and creates opportunities to stand out to our guests.

RISK AND RISK MANAGEMENT CONTINUED

Our principal risks and uncertainties

Risk movement key: Increased Decreased No change
Linked opportunity key:

Risk	Description	Potential impact	Mitigation
4. HEALTH AND SAFETY, FOOD SAFETY LINK TO STRATEGY	The safety of our guests, our people and the public is fundamental to our activities. We seek to attain the highest levels of safety across our estate. Lapses of safety damage the trust and reputation of the business. The provision of accurate and reliable information on food, to our guests, is paramount. Our guests trust in our high standards of food hygiene, food preparation and quality. Breaches of health and safety regulations and food standards attract media attention and high penalties. Public concern over allergens still remains high. There is a risk that information is collected incorrectly from our suppliers and/or misinterpreted for our menu items. There is also a risk if a team member mis-advises a guest on ingredients or serves the wrong meal. Increased regulation directly affecting Marston's or our suppliers could increase the complexity of the information to be provided and the cost of compliance.	• Financial penalties • Significant damage to reputation • Increased business complexity impacting upon our guests' experience	• Embedded health, safety and hygiene management systems • Dedicated safety advisers for our pubs seeking continuous improvement • Regular independent expert safety audits • Training of team members including e-learning modules on specific risks, such as allergens, for completion by all front and back of house team members • Escalation of potential safety threats to senior operational management • Maintaining excellent levels of compliance through policies, training and monitoring • Working with our supply chain to maintain accurate records identifying the constituent food ingredients and allergens of our meals • Due diligence on accepting new suppliers, monitoring and tracking all suppliers • Rigorous investigation of complaints • Tracking legislative changes and adapting operations • Food information system facilitating the collection of detailed information on food constituents, providing a clear audit trail and removing, where possible, the chance of manual error • Smaller menus than previously, allowing a greater focus upon quality

Movement – Decreased

The continued development of our food information system has given us the ability to collect and provide more detail to our guests. The risk remains significant because of the wide variety of food items we source, and levels of food intolerance amongst the public. When our systems or practices are found to be at fault, we confront any failing honestly, in order to learn and build better safeguards for the future.

Linked opportunity

In a competitive marketplace there is an opportunity to build a reputation for absolute commitment to guest care and building long-term trust.

RISK AND RISK MANAGEMENT CONTINUED

Our principal risks and uncertainties

Risk movement key: Increased Decreased No change
Linked opportunity key:

Risk	Description	Potential impact	Mitigation
5. FINANCIAL COVENANTS, PENSION FUND DEFICIT, AND ACCOUNTING CONTROLS LINK TO STRATEGY	The Group's financial system handles many transactions accurately and securely. Accurate reporting is key to running the business effectively, and in compliance with our financial covenants. Breach of the covenants with our lenders. Incorrect reporting of financial results. The pension deficit might increase if investment yields fall. Unauthorised transactions, failure of accounting controls or overridden. Greater responsibility to report on control effectiveness as a result of the Government's white paper on 'Restoring Trust in Audit and Corporate Governance'.	• Reputation damage and additional financial operating restrictions imposed by lenders • Loss of investor confidence	• Covenant waiver permission sought from bondholders/financial lenders • Regular detailed management accounts, budgets and forecasts • Detailed financial data collected from our sites • Financial auditing of our sites based on data analysis • Constant monitoring of financial ratios • Internal and external audits • Segregation of duties • Access controls within our systems • Levels of authority • Commitment to reduce debt • Management of the pension's investment portfolio to spread risk • Controls improvement programme underway to meet future regulation anticipated from the Government's white paper on 'Restoring Trust in Audit and Corporate Governance'.

Movement – No change in risk

There are strong controls mitigating this risk to a low level. The impact on our covenants is reduced by clear communications to, and engagement with, our lenders which explains the financial impact of the lockdowns in recent years and the trading conditions.

Linked opportunity

To further strengthen our relationships with our bondholders, communicating information on the business and the impact of decline in consumer confidence upon our sector.

RISK AND RISK MANAGEMENT CONTINUED

Our principal risks and uncertainties

Risk movement key: Increased Decreased No change
Linked opportunity key: ⦿

Risk	Description	Potential impact	Mitigation
6. POLITICAL AND ECONOMIC LINK TO STRATEGY	Changes to Government policy impact upon the cost base for operating pubs, either positively or negatively. At the same time, economic factors such as the current period of inflation and high demand for certain commodities and products, also impacts our operating costs and those of our supply chain. Legislative changes also impact business, particularly in recent times the move to decarbonise the economy. It remains uncertain how successful the Government and the Bank of England can be in curbing inflation pressure in the year ahead and what the impact will be on consumer confidence. There is a risk that inflation continues to rise, leading to higher interest rates, increased unemployment, and low consumer confidence. The UK as well as many other countries is at a risk of a deep recession, exacerbated by high energy costs and shortages of commodities.	• It may be harder to secure long-term agreements with our suppliers while prices rise and shortages of some commodities or products exist	• To constantly review the positioning of our guest offer at the right price point, to maintain or grow margin whilst remaining competitive • Continue to lobby Government on matters that are likely to restrict trade or increase costs • Continually assess our supply contracts and renegotiate terms when they fall due • Where feasible, work with our key suppliers to hold sufficient stocks in the UK to cover short-term disruption • Consider alternative sources of supply if our suppliers have trouble importing goods • Financial forecasts stress tested based on reduced revenue as a result of an erosion in consumer confidence

Movement – Increased

Inflation impacts the cost base for our business as well as our suppliers and our partners. At the same time our guests have less money to spend, which makes a recession more likely in the UK.

⦿ Linked opportunity

Pubs normally remain very competitive when prices are rising in the economy. They are perceived as an affordable treat offering an experience which can be flexed to suit demand, for instance offering greater value for money over quality or the range of choice. Our ability to track and react quickly to changes in preference could offer a competitive advantage. Our scale of operations and long-term stable relationships with suppliers could also help us control costs better than competitors.

RISK AND RISK MANAGEMENT CONTINUED

Our principal risks and uncertainties

Risk movement key: Increased Decreased No change
Linked opportunity key: ⦿

Risk	Description	Potential impact	Mitigation
7. INFORMATION TECHNOLOGY LINK TO STRATEGY	Our business activity is reliant upon our IT network to communicate, operate effectively, serve our guests, process transactions and report on results. The continuous operation of our business is dependent upon the uninterrupted running of our computer network, site links and the internet. The cyber threat has increased in recent years targeting vulnerable businesses with data theft, data encryption, denial of service and fraud. Marston's handles the personal contact details of many of its guests who opt to use the Wi-Fi or sign up to receive mails. In addition, the Group retains the employment data for a large number of people. Threats to IT are both external and internal and could result in a network outage, loss, theft or corruption of data or denial of service. The risk extends to the companies that we share data with for processing or storage on our behalf.	• Reduction in the effectiveness of operations, business interruption and loss of profit • Regulatory fines as a result of the loss of data • Reputational damage due to a loss of data	• Anti-virus and firewall protection • Access control, password protection and IT policy adherence • Network and device controls and monitoring • Penetration testing and remediation • Cyber defence testing • Backup procedures • Data recovery plans and rehearsals • Raising employee awareness regarding IT security • Data security policies, processes and training • Data breach incident response plan and scenario training

Movement – No change in risk

Global cyber risk has evolved in recent years, particularly the exploitation of vulnerable companies that may have less defence but exist within supply chains sensitive to disruption. Cyber criminality has, in recent years, sought to take advantage of stretched supply chains and the increase in homeworking to exploit gaps in corporates' cyber defences.

⦿ Linked opportunity

Our digital engagement with guests is greatly valued by them, whether it's to book a table or a room, receive offers by email or order a meal. Keeping our guests' confidence allows us to take advantage of these tools and have the confidence to innovate new ways to engage and market our business digitally. Our internal controls are continually enhanced by digital tools including, in recent years, our analysis and reporting of sales data, team planning, recruitment, concessions and food information.

RISK AND RISK MANAGEMENT CONTINUED

Our principal risks and uncertainties

Risk movement key: Increased Decreased No change
Linked opportunity key: ⦿

Risk	Description	Potential impact	Mitigation
8. ENERGY LINK TO STRATEGY	This risk incorporates both energy price rises, and the wider strategic approach to sourcing energy. Energy prices have plateaued and more recently fallen. The transition to Net Zero emissions is a challenge for our business and those within our supply chain. The transition could result in higher costs as a result of investment in new technology, and from sourcing a higher proportion of renewable energy. Recent high energy costs have added to inflationary pressure, a reduction of operating margins for many businesses, increased Government borrowing and a reduced disposable income. Contractual negotiations for energy play a key role in locking in prices and mitigating the risk of energy price spikes. In the long term, higher energy prices could make it more difficult to source renewable energy at a commercial price. This would increase the risk that the transition to Net Zero is delayed or becomes more costly, both for our business and our supply chain. However, there are options available to the Government to influence lower prices for renewable energy in the future.	• High energy prices have the ability to impact upon all areas of the economy. They increase the likelihood, and length of a recession. The positive impacts are that encourage more investment in projects for the use of sustainable energies, and a greater focus upon energy efficiency	• Energy contracts to provide stability to the price paid. Gas price fixed until end of 2025, electricity fixed to 31 March 2023 • Investment in energy saving projects, such as heat source pumps, building management systems, cellar cooling, voltage optimisation, air-flow rather than ventilation and catering equipment efficiency • Government support for small businesses to cap prices and guard against the most excessive increases • Transition to Net Zero away from fossil fuels • Transition of our supply chain to Net Zero • Technological innovation • Public support and awareness of the need to invest in green technology • Investment in the energy performance ratings of our building • Evaluation of energy savings projects

Movement – No change to risk

Energy costs have risen dramatically this year, stimulated by the reduced flow of gas from Russia to the EU. Governments borrowed more in order to stem the worsening impacts of higher prices on their economies but, at the same time increasing the likelihood of a global recession. More recently energy prices in the UK have fallen and the risk has consequently plateaued. The impact of climate change upon the planet remains a key driver for Government policy, contributing to shortages in certain foods and increased prices.

⦿ Linked opportunity

Our efforts to decarbonise and evolve our operations to keep abreast of changes in our guests' lives are likely to be well appreciated. Our guests are likely to increasingly make sustainable choices and will be more comfortable visiting our venues if they know how we are reducing our environmental impact.

RISK AND RISK MANAGEMENT CONTINUED

Our levels of defence

1. Management ownership of risk and control

The Group operates within a clear set of policies established by the Board, and the Executive Committee. Adherence to these policies governs the parameters within which the business accepts risk. Authority is delegated through the business to ensure that management is empowered to operate effectively while staying within the system of governance approved by the Board. Our managers are responsible for identifying risks, monitoring them and operating the control environment necessary to mitigate them to a level which is within the risk appetite of the business. Authority levels are aligned with levels of management and the degree of responsibility over risk. Changes to policies occur at the instigation of management, in response to either new threats, legislation or new opportunities.

A record of the key controls is kept in our Corporate Risk Register. The managers' assessment of the effectiveness of these controls is collected by our Internal Audit team and reported to the Audit Committee and the Board. Internal audit testing is performed on key controls in order to gain sufficient assurance on their effectiveness.

The key features of the internal control system are:

- A clearly defined management structure operating within a framework of policies and procedures covering authority levels, responsibilities and accountabilities. Policies are communicated to the appropriate teams on induction and kept accessible on the employee intranet. The policies are kept under review, updated and communicated when required. Awareness of the policies is built into our induction and training programmes.
- Embedded risk management into day-to-day activities.
- Continual improvement by reporting on effectiveness, recognition of weaknesses, additional investment and by encouraging achievement.
- A detailed formal budgeting process for all activities, with the annual budget and projections for future years formally approved by the Board.
- Established procedures for planning, approving and monitoring capital expenditure and major projects designed within a sound framework of risk management.
- Board approval requirement for all major investment, divestment and strategic plans and programmes.
- At each of their meetings the Board reviews financial and non-financial progress towards the strategic goals. Control systems are designed to manage rather than eliminate risk. By their nature, such systems provide only a reasonable and not an absolute defence against material errors, losses, fraud or breaches of the law.

2. Committee oversight

The Executive Committee meets regularly to consider how to implement the actions required to achieve business objectives, and to monitor risks and opportunities. The Executive Committee takes ownership of the implementation of the business strategy, the operation of the business to meet operational and financial targets, and the design of internal controls to reduce risks. The Executive Committee understands the Board's appetite for risk. Management is directed to collect information in order to measure the control of risk and report to the Executive Committee to ensure that the business is operating within the risk appetite. Management considers, communicates and implements the decisions on risk made by the Board and the Executive Committee and continually reports on the impact of those decisions.

Within our management structure we operate several committees in order to focus attention upon areas of risk requiring senior management attention:

Risk & Compliance Committee
(Chaired by the General Counsel & Company Secretary)

The Committee reviews the identification of the principal risks and considers the alignment of internal audit testing. It also conducts an examination of areas where risks are significantly changing. The Committee tracks the emergence of new legislation and monitors the Group's preparation for compliance. New policies are considered by the Risk & Compliance Committee before submission to the Executive Committee and, where appropriate, the Board for approval.

Data Security Committee
(Chaired by the Director of Corporate Risk)

The representatives on the Committee reflect the more significant areas of risk regarding the protection of personal and commercial data and cyber security. Our data security policy and management processes are maintained to govern legal compliance. All employees receive data training on induction and at appropriate intervals. Data security guidance is always available to our employees. Our data security Incident Response Plan is stress-tested by scenario planning in order to ensure an effective response to any incident. Our Data Security Analyst regularly undertakes desktop and physical audits of our third-party data processors.

RISK AND RISK MANAGEMENT CONTINUED

Our levels of defence

Business Continuity Steering Committee
(Chaired by the Director of Corporate Risk)

The resilience of the Group to events outside of its control is considered, and the lessons learned from any actual incidents or scenario tests. The Committee considers the threats to our continual operation, the resilience of our business to cope with the unexpected and the rehearsal of emergency plans. Consideration is given to the resilience of our supply chain, our suppliers' own planning and our ability to seek alternative supplies at short notice. The Committee is briefed on improvements to IT resilience, its protection from interference and its recovery plan.

3. Assurance governance

The Risk team comprises the Director of Corporate Risk and the Internal Audit function. The team reports to the General Counsel & Company Secretary who can elevate matters regarding risk, where appropriate, to the Board. The Director of Corporate Risk attends the Audit Committee meetings and can raise any concerns regarding risks independently.

Enterprise Risk Management (ERM)
The Director of Corporate Risk operates an ERM process in order to identify, monitor and report on those risks which could impact on our ability to achieve our strategic objectives. The key risks and controls are recorded in our Corporate Risk Register. The ownership and assessment of risks is discussed and recorded during regular meetings with the relevant and responsible managers. The Corporate Risk Register is shared appropriately with the managers in order to keep it current and relevant to the business. We use common risk management tools and language to engender cross-functional consistency and measurement across the Group. Levels of insurance cover are managed by the Director of Corporate Risk, with the authority of the Board, and in consultation with external advisers. New levels of insurance and cover are considered each year in the context of the changing risks and external threats.

Internal Audit
The Internal Audit team is managed by the Director of Corporate Risk and is independent from the operations of the business. Internal audit strategy is risk based and testing is focused on principal or material risks. The strategy has been approved by the Audit Committee and aims to provide a sufficient level of assurance regarding the strength of the control environment as well as supporting continual improvement in risk management.

The Internal Audit plan produced takes into consideration the key risks within the business, recorded in the Corporate Risk Register, areas of increased risk and the regularity of the testing. The plan is developed in consultation with the Executive Committee and the Risk & Compliance Committee and takes into account areas of concern which require additional assurance from audit testing. Once approved, internal audits are undertaken by the Internal Audit team with support from senior management and, where necessary, additional resource and expertise are sought from an independent professional internal audit co-source. The annual budget for internal audit is approved by the Executive Committee and the Audit Committee.

The Internal Audit team audits the strength of our profit protection controls within the pubs, using either data analysis to identify pub sites of concern or following requests from Area Managers. The results of this testing, providing there is no conflict, are communicated to the operational managers and follow-up audits can be arranged if necessary to measure improvement.

4. Strategic

The Executive Committee is chaired by the Chief Executive Officer and comprises, amongst others, the two operational directors who are responsible for the implementation of strategy and for carrying out actions directed by the Board, monitoring performance and overseeing risk management and internal control. Actions required are communicated to the senior managers within the business.

5. Board/Audit Committee

The Board is ultimately responsible for the Group's framework of governance, internal control and risk management. The mitigation of risk is delegated to the Executive Directors and other senior management. The Board is responsible for ensuring that management reviews and reports on the effectiveness of the internal controls. The Board is also responsible for understanding the nature and extent of the principal risks, its risk appetite and the Viability Statement.

The Management reporting to the Board is in sufficient detail for the Board to assess its risk appetite in the context of the risks and opportunities, and to make informed decisions in order to accomplish the strategic objectives. During the year, the Board has robustly assessed the risks and opportunities faced by the business, considering the ability of the business to achieve its strategic objectives and the impact of emerging legislation.

New Non-executive Directors of the Board are inducted into the business through meetings with senior managers, the Executive Committee, the finance team and external advisers. This gives new Directors the opportunity to understand the challenges for the business, risks and the controls and processes operated. New Directors are also given a pack of information on business operations and access to previous Board and Committee minutes as appropriate.

RISK AND RISK MANAGEMENT CONTINUED

Viability statement

In accordance with provision 31 of the UK Corporate Governance Code 2018, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the next three years. Consistent with the previous year, three years continues to be adopted as an appropriate period of assessment as it aligns with the Group's planning horizon in a fast-moving market subject to changing consumer tastes in addition to economic and political uncertainties, and is supported by forecasts as approved by the Board. It also aligns with the Group's capital investment plans and gives a greater degree of certainty over the forecasting assumptions used.

The Directors' assessment has been made with reference to the Group's current position, its financial plan and financial planning process, comprising a detailed forecast for the next financial year, together with a projection for the following two financial years. The plan also reflects the Group's principal risks and uncertainties set out on pages 45–52, specifically market and operational (risk 1), pandemic (risk 2), liquidity (risk 3), political and economic (risk 6) and energy (risk 8).

To assess the impact of the Group's principal risks and uncertainties on its long-term viability, a severe but plausible downside scenario was applied to the Group's financial forecasts in the form of reduced sales, it has been assumed that variable costs will move in line with the change in sales volumes. It is assumed that the Group's financial plans would be adjusted in response to each scenario by reviewing controllable and discretionary costs alongside capital investment.

The principal risks currently facing the business relate to the continued uncertainty surrounding the political and economic environment with regards to the cost-of-living crisis, (market and operational (risk 1), pandemic (risk 2) and political and economic (risk 6) and subsequent variants and the consequential impact on trading should any future restrictions be imposed, thereby inhibiting activity and sales income. The Group has reviewed this in the forecast scenarios and sensitivities by incorporating a reduction in sales (downside scenario). Whilst the experience of the cost-of-living crisis and the pandemic could be expected to lead to lasting changes in both consumer behaviour and competition in the hospitality sector, in making this assessment the Group has taken the view that any adverse impact on sales, through reduced visits from the cost-of-living crisis and any trading restrictions, will be temporary in nature and should not extend to any material extent into the future. Pubs have been resilient in previous economic downturns and offer value to the consumer.

Liquidity (risk 3), both secured debt and unsecured facilities, is assessed in the forecasts and, in both the base case and the severe but plausible downside case, the Group will be required to seek amendments to covenants on its banking facility. Whilst there is no certainty that these amendments will be granted (this has been disclosed as a material uncertainty over going concern in the financial statements), given our experiences to date we are confident of securing these where necessary. In all scenarios the Group continues to remain profitable with adequate liquidity.

In the forecasted period the Group is required to refinance its banking facility and private placement facility in March 2024 and it has been assumed that this would be on similar terms as the current facility.

In terms of resilience, the forecast considers market and operational (risk 1), political and economic (risk 6) and energy (risk 8) risks, focusing on the impact on sales with a reduction in turnover from fewer guest visits alongside increasing costs from inflationary pressures, interest rate rises and regulatory changes. The forecasts took into account market insight and trends based on changing consumer behaviour and therefore considered the allocation of capital to adapt to these trends.

In making this statement, the Directors carried out a robust assessment of the principal risks and uncertainties facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. Principal risks and uncertainties set out on pages 45–52 are the result of internal risk management and control processes, with further details set out in the Audit Committee's report on pages 69–71.

CORPORATE GOVERNANCE REPORT

Chair's introduction

WILLIAM RUCKER
MARSTON'S CHAIR

DEAR SHAREHOLDER,

I am pleased to present our Governance Report to you, together with reports from the Nomination, Audit and Remuneration Committees, each providing an overview of the key activities undertaken in the last financial year. The main focus of the Board (and all Committees) has been to support the Company with its continued recovery from the impact of the pandemic, helping to navigate the challenges posed by the war in Ukraine and the macro environment, such as supply restrictions and cost increases and the ongoing fulfilment of our strategic objectives and delivery of our vision of 'Pubs to be proud of'.

Culture and values

Throughout these challenging times, the special and unique culture at Marston's continues to thrive and our people and Pub Partners remain passionate and committed to delivering great guest experiences, always seeking to raise the bar and support the growth of the business. The Board is responsible for setting the Company's values and ensuring that they are aligned with our culture. Further details of how we do this at Marston's can be found on page 60.

The Board and senior management team

Andrew Andrea was appointed Chief Executive Officer, and Hayleigh Lupino succeeded Andrew as Chief Financial Officer on 3 October 2021. Andrew and Hayleigh are supported by a refreshed Executive Committee including Bethan Raybould, who was appointed as General Counsel & Company Secretary on 1 February 2022. Anne-Marie Brennan retired as Group Secretary on 31 January 2022 after 18 years of dedicated service. The succession pipeline and quality of leadership below the Executive Committee has been further enhanced with the creation of the Leadership Group, comprising 28 cross-functional senior managers reporting directly to the Executive Committee.

We were also delighted to welcome Nick Varney to the Board, as a Non-executive Director, with effect from 1 July 2022. His skills and experience in the leisure sector will bring additional insight, challenge and expertise to our Board. Succession planning remains an integral part of our governance cycle and we continue to monitor the composition of our Board, being mindful of the benefits that an alternative external perspective can bring.

Within the normal cycle of Board evaluations, this year we conducted an internal evaluation of the effectiveness of the Board and its Committees. Further details, including a summary of our findings and an update on our progress against the agreed actions from the 2021 evaluation, are set out on page 67.

Profiles of each Director can be found on pages 58 and 59.

Sustainability

We remain committed to driving a positive ESG agenda under our 'Doing more to be proud of' initiative, with targets announced for Net Zero by 2030 for Scope 1 and 2 emissions and by 2040 for Scope 3. Further information is set out on pages 24 and 25.

Remuneration

Our remuneration principles remain unchanged. We aim to provide remuneration that motivates our people without encouraging excessive risk taking, with incentives aligned to strategy that encourage enhanced and sustainable performance. The focus for the Remuneration Committee this year has been the review of our current Directors' Remuneration Policy, last approved by shareholders in 2020. The Committee has also considered remuneration and reward across the organisation and how to motivate and reward in challenging circumstances. Our proposed new Policy, together with details of how the current Policy has been applied during the period, are set out in the Directors' remuneration report on pages 72 to 76. In reviewing the Policy, we engaged with our major shareholders, and a representative group from our workforce, to seek their views on our proposals. We thank our shareholders and workforce representatives for their feedback and willingness to engage on these important matters.

Audit

The principal responsibility of the Audit Committee continues to be the integrity of our financial statements and the effectiveness of our internal controls and risk management framework. The Audit Committee also manages the relationship with our external Auditor. The report from the Audit Committee is on pages 69 to 71.

Good governance

Our vision, goals and priorities are clear, and our governance framework supports these. The Board's Section 172(1) statement is set out on page 56, demonstrating how we have fulfilled our section 172 duties, and details of how the Board has engaged with different stakeholder groups can be found on pages 21–23. The 2018 UK Corporate Governance Code (the '2018 Code') has applied throughout the reporting period and the Board considers that we have fully complied with the principles and provisions of the Code. Further explanation of this is set out in the compliance statement on the following page.

CORPORATE GOVERNANCE REPORT CONTINUED

Chair's introduction

UK Corporate Governance Code compliance statement

The 2018 Code applied to the 2021/22 reporting period. The 2018 Code is available on the Financial Reporting Council's website: **www.frc.org.uk**

Marston's PLC was compliant with the principles and provisions of the 2018 Code throughout the reporting period under review.

Our Governance Report explains how we have applied the main principles and, where applicable, provisions of the 2018 Code, through our governance framework, supporting procedures and the work of the Board, its Committees and management. In order to provide a more accessible report, and to avoid repetition, more information can be found on our website: **www.marstonspubs.co.uk**

Board leadership and Company purpose

How we engage with our people and our shareholders and what has been on the Board's agenda this year.

READ MORE ON PAGES 23,60 TO 61

Division of responsibilities

Our governance framework and management structure. Further details of responsibilities can be found on our website: **www.marstonspubs.co.uk**

READ MORE ON PAGE 62

Composition, succession and evaluation

Our approach to succession planning, training and induction, this year's Board evaluation and our approach to diversity.

READ MORE ON PAGE 64

Audit, risk and internal control

Internal processes and our Audit Committee Report.

READ MORE ON PAGE 68

Remuneration

Details of our proposed Directors' Remuneration Policy and payments made to Directors during the period.

READ MORE ON PAGES 72 TO 94

BOARD OF DIRECTORS

An experienced Board

Board committees: A Audit Committee R Remuneration Committee N Nomination Committee ● Denotes Committee Chair

Board skills: Consumer/Retail Hospitality Commercial property People Finance ESG

Terms of reference for each Committee are available on the Corporate section of our website: **www.marstonspubs.co.uk**

William Rucker

Non-executive Chair

Appointed: October 2018, independent on appointment

William is a Chartered Accountant with experience in banking and financial services. He is Chairman of Lazard in the UK and brings a wealth of knowledge and experience of financial markets, corporate finance and strategy to his leadership of the Board. William has recently been appointed as Chair at ICG PLC, with effect from 31 January 2023, and is also currently Chairman of the UK Dementia Research Institute. William's City and financial experience, alongside his strong stakeholder management skills, ability to help businesses grow and his previous Chairman roles, make him ideally placed to be Chair of Marston's.

Past experience:

Chairman of Crest Nicholson Holdings plc

Chairman of Quintain Estates and Developments

Non-executive Director of Rentokil Initial plc

Andrew Andrea

Chief Executive Officer (CEO)

Appointed: March 2009

Andrew was appointed CEO from 3 October 2021, having previously been Chief Financial and Corporate Development Officer since 2016. Andrew joined the Company in 2002 as Divisional Finance Director for Marston's Beer Company and in 2006 he became Operations Director for Marston's Pub Company. Andrew was then appointed to the Board as Finance Director in March 2009. He is also currently a Non-executive Director at Portmeirion Group PLC and a Non-Executive Director of CMBC. Andrew is a qualified Chartered Accountant and brings to the Board experience gained in financial and commercial roles, including strategy and leadership, risk management and mergers and acquisitions.

Past experience:

Roles held at Guinness Brewing Worldwide, Bass Brewers Limited and Dolland & Aitchison

Hayleigh Lupino

Chief Financial Officer (CFO)

Appointed: October 2021

Hayleigh was appointed CFO of the Group from 3 October 2021, having previously been Director of Group Finance, and held a number of senior roles for Marston's Beer Company. Most recently, she played a key role in creating the partnership between Marston's Beer Company and Carlsberg UK. She is currently a Non-Executive Director of CMBC. Hayleigh is also a Trustee Board Director at the Wolverhampton Grand Theatre.

Past experience:

Senior roles held within Marston's PLC

Octavia Morley

Senior Independent Director

Appointed: January 2020

Octavia is currently Senior Independent Director at Card Factory PLC and at Crest Nicholson Holdings PLC, Non-executive Director at Ascensos Ltd and Chair of Banner Group. She has extensive experience in both executive and non-executive roles in retail and multisite companies, having held various senior operational and strategic roles across areas of retail.

Past experience:

Executive and Non-executive Chair of Spicers-Office Team Group Ltd

Non-executive Director of John Menzies PLC

Chief Executive Officer, then Chair, at LighterLife UK Limited

Managing Director at Crew Clothing Co Ltd

Chief Executive at OKA Direct Limited

BOARD OF DIRECTORS CONTINUED

An experienced Board

Board committees: A Audit Committee R Remuneration Committee N Nomination Committee ● Denotes Committee Chair

Board skills: Consumer/Retail Hospitality Commercial property People Finance Climate change

Terms of reference for each Committee are available on the Corporate section of our website: **www.marstonspubs.co.uk**

Bridget Lea

Independent Non-executive Director

Appointed: September 2019

Bridget is currently Managing Director – Commercial at BT Group having previously held the role of Managing Director (North) at J Sainsbury plc. Bridget has had a distinguished career working across multiple leading retail brands and held senior positions, spanning a wide range of disciplines including sales, operations, marketing, supply chain and digital within retail corporates.

Past experience:

Managing Director (North) at J Sainsbury plc

Director of Stores, Online and Omnichannel at O2

Matthew Roberts

Independent Non-executive Director

Appointed: March 2017

Matthew has significant real estate and retail experience having previously been CFO and then CEO of Intu Properties plc, until June 2020. Matthew is a qualified Chartered Accountant (FCA) and has recent and relevant financial experience, enabling him to contribute effectively to the Group as the Chair of the Audit Committee. He is also a trustee at Charitable Giving.

Past experience:

Chief Executive Officer and Chief Financial Officer of Intu Properties plc

Chief Financial Officer of Gala Coral Group Limited

Finance Director of Debenhams plc

Nick Varney

Independent Non-executive Director

Appointed: July 2022

Nick has over 30 years' experience in the Leisure sector, having started his career in consumer goods marketing with Nestle Rowntree and then with Reckitt & Colman plc. He recently retired as CEO of Merlin Entertainments. Nick is also a Board member of UK Hospitality.

Past experience:

Chief Executive Officer of Merlin Entertainments

Managing Director at Vardon Attractions, Vardon plc

Marketing Director at The Tussauds Group

Bethan Raybould

General Counsel & Company Secretary

Appointed: February 2022

Bethan joined the Company in 2013 as legal counsel, and was appointed General Counsel & Company Secretary in February 2022. She is responsible for managing legal risk and supporting the Chair and the Board in maintaining high standards of corporate governance. Bethan also leads the safety, audit and risk functions. Bethan is a senior solicitor with over 15 years' experience in both private practice and in-house roles.

CORPORATE GOVERNANCE REPORT

Board leadership and company purpose

Purpose, values and culture

The Board is responsible for establishing the Company's purpose, values and strategy and plays a vital role in ensuring that the Company's culture is aligned with those values and strategic objectives.

In November 2021, the Company set out its vision and strategy: 'Pubs to be proud of', with clearly defined values, goals and targets which promote the long-term success of the Company. The strategy was developed to reflect the development of our business as a focused pub operator and the values aimed to capture the essence of the unique culture at Marston's.

The Board continuously monitors and assesses the special culture at Marston's and is satisfied that it reflects, and is reflected by, our purpose and values; all of which are, in turn, aligned to our strategy. The Board does this in a variety of ways:

Employee engagement
As set out on page 15, employee engagement is principally undertaken by regular 'Your Voice' monthly surveys. The Board receives regular reports on results and key themes are discussed at Board meetings throughout the year, including employee views on company culture, policies and strategy. The Board also regularly meets with a cross section of our people and Pub Partners by participating in days in trade and Board dinners. Bridget Lea is our designated Non-Executive Director for Workforce Engagement.

Behaviour framework
The Board, the Executive Committee and management, comprising the Leadership Group, all lead by example by acting in accordance with the Company's Behaviour Framework. This framework (which also applies to the wider workforce) is directly aligned to our values and purpose, thereby helping to promote and embody culture through our ways of working.

Alignment of policies and approach
The Board plays a key role in helping to ensure that our policies and practices, particularly relating to pay, bonuses and fair working practices, are consistent with Company values and support long-term sustainable success. Further detail on the alignment of our bonus scheme to our values and KPIs (which include employee engagement) is set out on page 72.

Whistleblowing
The Audit Committee has delegated responsibility from the Board to review mechanisms for reporting matters of concern, including an annual review of 'Speak Up', the Company's whistleblowing system, to ensure those mechanisms are appropriate, accessible and meet our expected standards of conduct.

KPI alignment and measurement
A number of our KPIs such as employee engagement and EHO scores, allow trends in Company culture to be continually measured, monitored and reviewed. The Board receives monthly KPI reports, supported by regular presentations from the CEO and Executive Committee.

Stakeholder engagement

The Board supports and actively encourages good relationships with all stakeholders, recognising their importance to the long-term success of the Company. In seeking to understand the views of our stakeholders and be able to fulfil their section 172 duties when making decisions, the Board engages directly with some stakeholder groups, including shareholders and employees, and indirectly with others, through sector bodies and reports and presentations by Executive Directors, Leadership Group and advisers. Details of the Company's key stakeholders and how the business and the Board have engaged with them, during the year, are set out on pages 21 to 23.

In considering all opportunities and risks that the Company faces, the Board focuses its attention on the long-term sustainable success of the business which ultimately generates value for our shareholders. All proposals and business decisions are made for the benefit of the Company's long-term sustainability, ensuring they are aligned to our strategy, purpose and values. The interests of relevant stakeholders are considered as part of that process and, while the Board recognises that it is not always possible for decisions to achieve a positive outcome for every stakeholder group, the Board considers it has acted fairly and transparently in evaluating all decisions. Further information is set out in the Section 172(1) statement on page 20.

Annual Report and Accounts

The Annual Report and Accounts is the main tool for providing a comprehensive review of the business, details of our governance framework in action and annual results. This year, mindful of our sustainability agenda, increased cost and the need to reduce our use of natural resources wherever possible, we have focused our efforts on the online version of the Annual Report and Accounts, reducing the number of printed copies to ensure minimal waste after fulfilling the requirements of our shareholders who still require printed copies.

We would like to thank our investor community for supporting this initiative and would encourage our investors to explore our website and online Annual Report and Accounts. Please contact **investorrelations@marstons.co.uk** with any queries.

2023 Annual General Meeting (AGM)

The 2023 AGM will once again be held at the Farmhouse at Mackworth in Derby, one of our own pubs. Shareholders are welcome to attend in person, but we would request that you register your intention to attend in advance so we can monitor numbers and ensure that we are adequately prepared to accommodate all attendees safely. Shareholders will again be given the opportunity to ask questions ahead of the meeting, using a dedicated email address **(agm@marstons.co.uk)** if they are unable to attend in person. We will ensure that each question receives a direct response, with those questions pertinent to the business of the meeting published on our website.

To enable all shareholders to vote on all resolutions in proportion to their shareholding, the voting at the 2023 AGM will be conducted by way of a poll and shareholders are encouraged to vote as early as possible ahead of the meeting. The Company will release the results of voting, including proxy votes on each resolution, on its website on the next business day after the AGM and announce them through a regulatory news service. Details of how you can submit questions and cast your votes at the AGM are set out in the Notice of Meeting, which will be made available to shareholders by their chosen method of communication and is also available on our website. The Board looks forward to meeting shareholders once again.

CORPORATE GOVERNANCE REPORT CONTINUED

Board leadership and company purpose

Board agenda and activities during the year

Agendas for each Board meeting are prepared in advance from a forward agenda (for all Board and Committee meetings) which is typically prepared on a rolling 12-month basis. Agendas provide the framework for the Board to shape and monitor the Company's progress towards its vision and strategic goals.

There are a number of standing or regular agenda items including reports from the CEO, CFO and members of the Executive Committee. These update the Board on a range of matters from financial and operational performance to stakeholder engagement and shareholder analysis. The remainder of the agenda comprises specific items for discussion or debate, in accordance with the forward agenda or as required in response to circumstances or events or as requested by the Board, the Committees or management.

The Board also values presentations from the Executive Committee, the Leadership Group and their direct reports. The Board also approved a number of matters during the year by written resolution outside of the normal Board calendar.

The key items on the Board's agenda during the year are set out below and those on the Committees agendas can be found in the Committee reports.

The Board had eight scheduled meetings during the year, with the addition of two unscheduled meetings, held by phone or online where circumstances required the Board to meet at short notice. Unscheduled meetings are usually to discuss matters of a transactional nature that arise outside of the forward agenda or Board calendar. Directors' attendance at Board and Committee meetings held during the year is set out on page 63.

For the scheduled Board meetings, this year the Board was pleased to be able to return to meeting regularly in person after the lifting of the restrictions following the pandemic. Board meetings are either held at our offices or at one of our pubs, where facilities permit. As well as providing a catalyst for strategic debate, these locations provide the Board with a unique opportunity to engage directly with our people and Pub Partners.

On the Board agenda

Strategy and performance
- Received updates on Company strategy, vision and goals, and performance metrics
- Approved a new Commercial Marketing strategy, including segmentation of the pub estate and new drinks strategy
- Approved removal of Two for One operating format from our managed estate

Finance
- Bank facility financing and securitisation waivers
- Reviewed and approved the budget for financial year 2022/23 and 5-year plan
- On the recommendation of the Audit Committee, approved trading updates, interim and preliminary results and Annual Report and Accounts
- Approval of property disposals

People
- Recruitment and resourcing updates
- Proposals for our new employer brand 'People Promise'
- Employee engagement survey results via Peakon
- Approved the employee sharesave scheme for 2022

Stakeholder focus
- Share price performance and investor relations
- Shareholder feedback
- Year-end engagement and AGM
- Share register analysis

Governance and risk
- Approval of TCFD report
- Considered and reviewed principal risks, emerging risks and risk management
- Evaluation of Board and Committee effectiveness
- Governance Code, Pubs Code and other reporting obligations
- Received an update on and approved the Company's 2022 Modern Slavery Statement
- Environmental, social and governance updates
- Delegated authorities and potential conflicts of interest

2022 strategy day

The Company has a clear strategy for growth and the Board is responsible for overseeing its implementation by the Executive Committee and Leadership Group. In addition to the regular Board meetings, the Board carries out an annual strategic review. This year, the Board held its annual strategy day in Wales, followed by a day in trade visiting a number of pubs the Company acquired as part of the transaction with SA Brain. The Board was joined by the Executive Committee and a number of senior managers who helped facilitate the day and deliver presentations to the Board.

The outline agenda and key priorities for the strategy day were as follows:

- Presentation and approval of the 5-year plan
- Review of competitor landscape and market opportunities
- Consideration of developing and evolving a sales culture and other innovations to deliver growth
- Defining our employer brand and developing our 'People Promise'

Presentations were delivered by the Executive Committee (including the CEO and CFO) which informed and facilitated open discussion and debate with the Board. The Company's brokers also joined the meeting to deliver a presentation to the Board and the Executive Committee on shareholder sentiment and market analysis.

CORPORATE GOVERNANCE REPORT CONTINUED

Division of responsibilities

There is a clear division of responsibility between the roles of the Chair and the Chief Executive Officer (shown below). These are agreed by the Board. Further details of the roles and responsibilities of each Board member and the General Counsel & Company Secretary are available on our website: **www.marstonspubs.co.uk**

Chair

is responsible for:

- leading the Board and its effectiveness in directing the Company
- setting an agenda, style and tone for constructive and open debate
- the effective contribution of all Non-executive Directors
- supporting the CEO in articulating the purpose, values and culture

Chief Executive Officer (CEO)

is responsible for:

- setting and implementing the strategic objectives agreed by the Board
- providing clear and visible leadership, demonstrating the values and ways of working that reflect the Company's culture
- leading the Executive Committee and senior management in managing the business
- ensuring the Board is aware of shareholder and other stakeholder views

Governance framework

THE BOARD

Principal Committees

Audit

Nomination

Remuneration

Supporting Committees

Risk & Compliance

Business Continuity

Data Security

Treasury

Roles and responsibilities

Matters Reserved for the Board

Committee terms of reference

Management Committees

Executive

Disclosure

Assurance

Internal controls, auditing, legal and regulatory compliance

ESG Initiative

'Doing more to be proud of'

Implementation of strategy

Monitoring performance

ENTERPRISE-WIDE RISK MANAGEMENT

OUR BEHAVIOURS

The governance framework provides a structure of effective management and controls to measure and assess performance and risk and it facilitates the sharing of information by encouraging strategic debate and informed and timely decision-making. Board papers are circulated well in advance of each meeting to ensure that the Directors have sufficient time to consider them before the meeting.

The three principal Committees of the Board deal with financial and risk matters, remuneration and succession planning. Each has its own terms of reference which are reviewed at least annually, and updated as necessary, before they are considered and approved by the Board. Reports from each Committee can be found on pages 65, 69 and 72.

The Board is supported by the Executive Committee which comprises key members of the Marston's management team: the CEO, CFO, two pub Operations Directors (one responsible for our Food-led pubs and one for our Wet-led pubs and property), Commercial Marketing Director, HR Director and General Counsel & Company Secretary.

CORPORATE GOVERNANCE REPORT CONTINUED

Division of responsibilities

The Executive Committee meets informally each week to discuss trade for the previous week and any issues of concern and, more formally, almost every month to oversee the implementation of strategy and monitor the performance of the business. An agenda for each formal meeting is prepared in advance from a forward agenda which is typically prepared on a rolling 12-month basis and is, as far as possible, aligned to the Board's agenda to ensure the strategic objectives and time horizons of the Board and management are aligned. 'Pulse Exec' meetings may also be called from time to time, outside of the formal meeting schedule, to discuss matters that require focused discussion, support or approval. In addition to operational and financial performance, the Executive Committee regularly reviews guest and market insight, employee engagement, health and safety reports and KPIs. During the year, the Executive Committee also considered and approved the 'People Promise', the Commercial Marketing Strategy, operational and strategic matters, such as the exit from the Two for One and Rotisserie formats, supply issues, property matters, capital expenditure (capex) proposals and approved internal policies, governance and financial matters (such as new contracts, acquisitions or disposals) within the authority limits delegated annually by the Board.

The Disclosure Committee, comprising the CEO, CFO and General Counsel & Company Secretary, meet as and when required to discuss matters arising in accordance with the EU Market Abuse Regulation, the Financial Conduct Authority (FCA) Listing Rules and the Disclosure Guidance and Transparency Rules to ensure the Company meets its obligations.

The Supporting Committees' primary role is to provide assurance to the Board on the operation of internal controls, auditing and compliance with legal and other regulatory obligations. This framework is supported and enabled by the risk management process and our behaviours. The work of our Supporting Committees is described in the Risk Management section on page 53. To focus on our ESG initiatives, this year, we have changed our ESG Committee and formed three working groups with deeper focus on the individual ESG elements. More information on our 'Doing more to be proud of' initiative can be found on page 24.

Documents available at: www.marstonspubs.co.uk

- Articles of Association
- Matters Reserved for the Board
- Committee Terms of Reference
- Roles and responsibilities for each Board member

Board and Committee meeting attendance

Scheduled Board and Committee meeting attendance is shown in the table below. The Board calendar of meetings is set and reviewed at least 18 months in advance, allowing the Directors to plan their time accordingly.

Name	Board	Nomination Committee	Audit Committee	Remuneration Committee
Andrew Andrea	8/8	–	–	–
Bridget Lea	7/8	2/3	4/4	3/3
Hayleigh Lupino	7/8	–	–	–
Octavia Morley	8/8	3/3	4/4	3/3
Matthew Roberts	8/8	3/3	4/4	3/3
William Rucker	8/8	3/3	–	3/3
Nick Varney[1]	2/2	1/1	–	1/1

1. Nick Varney was appointed to the Board on 1 July 2022.

CORPORATE GOVERNANCE REPORT CONTINUED

Composition, succession and evaluation

Comprising independent Non-executive Directors (NEDs), an independent (upon appointment) Chair and two Executive Directors, all supported by the General Counsel & Company Secretary, the Board continues to represent a balanced combination of skills, experience and knowledge pertinent to the industry and business activities. Biographical details, together with length of service and external appointments are disclosed on pages 58 and 59.

All of our Directors are expected to allocate sufficient time to discharge their duties and responsibilities effectively and this is reviewed with the Chair, as part of the annual evaluation process. Significant commitments of the Directors, outside of Marston's, are disclosed to and approved by the Chair prior to appointment and where there are any changes. The Company's Articles of Association provide authority to the Board to authorise potential conflicts of interest and to impose any conditions it sees fit. Actual and potential conflicts are reviewed by the Board on an annual basis.

All Directors are subject to annual re-election by our shareholders after an annual Board evaluation. Each of our Non-executive Directors are initially appointed for a three-year term; beyond six years, the appointment is considered on an annual basis having regard to the tenure of the Board as a whole. Where the Board considers it would benefit from a change, or a retirement necessitates a change, the Nomination Committee will lead the process for new appointments. Prior to the appointment of Nick Varney, the Board considered the skills and experiences that would further enhance the Board and were wholly supportive of the decision to invite Nick to join our business as an additional Non-executive Director. We consider all our Non-executive Directors to be independent and the charts on page 57 show the balance and tenure of the Board.

Board appointments process

Through delegated responsibility to the Nomination Committee, the Board has a formal and transparent process for the appointment of all new Directors. This process includes taking account of any gaps in the Board's collective skills, knowledge or experience or any aspect of diversity, whether identified by the annual Board composition review by the Nomination Committee, or the annual Board effectiveness review. The selection process is rigorous and transparent and, if appropriate, the Nomination Committee will appoint an expert external search agency to support. Candidates from a wide range of backgrounds that meet the search criteria will be considered and all appointments will be made on merit, with due regard to all aspects of diversity. The search and selection process was supported by Ridgeway Partners, who have been used previously for recruitment searches. Further details on Nick's induction are set out below.

Board training, induction and development

As set out earlier in the Governance Report, during the year, presentations are given at Board meetings by the Executive Committee, our advisers and members of the Leadership Group. Those presentations are designed to update the Non-executive Directors and further improve their familiarity with, and understanding of, the business as well as providing an opportunity to engage with the senior employees and their teams. Presentations are often arranged to coincide with an informal Board dinner on the evening before the meeting, typically at one of our pubs. The Non-executive Directors may also attend external technical seminars offered by professional advisers and receive internal briefings on emerging legislation, compliance and regulatory matters as they relates to the business. The General Counsel & Company Secretary advises the Board on matters of governance and is available to all Directors in an advisory capacity, including the appropriateness of seeking independent professional advice. This year, the General Counsel & Company Secretary facilitated an additional training session for the whole Board on Section 172 duties, the Market Abuse Regulation and other governance and compliance matters relevant for the Board, in the discharge of their duties.

On their appointment to the Board, all new Directors receive a comprehensive induction programme coordinated by the General Counsel & Company Secretary. The induction programme is tailored to each new Director, depending on their experience and nature of their role on the Board. For Nick Varney, in the months prior to, and after commencement of, his appointment, the induction was structured to provide Nick with all the information and support he needed to understand the Company and its strategic objectives, the environment in which it operates, and his role on the Board. Briefly this comprised:

- Introductory meetings with all members of the Executive Committee (comprising both formal meetings and days in trade visiting a cross section of our pub estate).
- A presentation on his duties as a director of a UK listed company, including Section 172, the Market Abuse Regulation and the 2018 Code.
- A presentation from the Director of Corporate Risk on the Company's principal and emerging risks and related controls.
- Introductory meetings with the other Directors and separately with the Company's advisers.
- Access to the Company's Board portal which includes a comprehensive resources section including material Board documents and information on the Group.
- An information pack on the Company's policies, practices and corporate governance framework.

CORPORATE GOVERNANCE REPORT CONTINUED

Nomination Committee report

Our responsibilities

To monitor the composition of the Board and its Committees to ensure the right balance of skills, experience and knowledge.

To consider the succession plans for Directors and senior management, taking into account the leadership, skills, expertise and diversity needed to meet the challenges and opportunities facing the Company.

To ensure the process for identifying and recommending suitable candidates for Executive and Non-executive Director positions delivers the desired outcomes.

Attendees

Executive Directors, senior management and external advisers may be invited to attend from time to time.

Key activities during the reporting year

- Led the recruitment and appointment process for Nick Varney
- Reviewed the structure, diversity, size and composition of the Board and considered Board succession planning
- Considered this year's Board evaluation process
- Reviewed succession plans for the Executive Committee and the Leadership Group, including receiving an update on the talent pipeline
- Reviewed the terms of reference and effectiveness of the Nomination Committee
- Reviewed the independence, contribution and time commitment of each Director
- Considered and approved each Director standing for election and re-election at the 2023 AGM

DEAR SHAREHOLDER,

As set out in my opening remarks on page 56, last year saw a number of key appointments to strengthen the Executive Committee and the Leadership Group, in addition to the appointment of a new CEO and CFO. The business has undergone a period of change and alignment during Andrew's first year as CEO and the Nomination Committee is pleased that his senior management team is firmly established, working well as a team and focused on delivering our strategy and achieving the Company's goals and vision of 'Pubs to be proud of'. I am pleased to present an update on the Nomination Committee's activities during the period.

Board appointment

We were delighted to welcome Nick Varney to the Board as an independent Non-executive Director. Nick brings a highly complementary skill set and experience in the retail sector which will further enhance the knowledge, skills and experience of our Board. The Nomination Committee led the process for Nick's appointment and further details can be found on page 64.

Succession planning

The Nomination Committee also monitor succession planning at Board, Executive Committee and Leadership Group level and continues to recognise the importance of developing our people through a diverse talent pipeline.

The Committee received updates on key activities undertaken to further develop the Executive Committee and strengthen the quality of the Leadership Group.

I am pleased to see that the Company has capable and committed leaders, at its core, and invests in their development.

We continue to review our succession planning strategy to ensure the composition of the Board and senior management team reflects and aligns with the needs of the business.

Board evaluation

During the year, an evaluation of the Board and its Committees was undertaken in accordance with the Nomination Committee's Terms of Reference. Further information can be found on page 67. I am satisfied that the Board has a good balance of experience, skillset and sector knowledge to help steer the Company towards the achievement of its goals and vision.

I have concluded that each Director standing for election or re-election at the forthcoming AGM is effective in their role and provides a valuable contribution to the Board. I therefore recommend each Director to you.

Our priority areas for the coming year will be to continue to focus on succession planning for both the Board and senior management and to ensure we have a pipeline of talented and capable people with the right balance of skills and all aspects of diversity.

WILLIAM RUCKER
CHAIR OF THE NOMINATION COMMITTEE

CORPORATE GOVERNANCE REPORT CONTINUED

Nomination Committee report

Board diversity

As a business we are committed to building a diverse and inclusive culture where our people (and our guests) feel welcome and included for who they are. The Board takes its responsibility in leading this commitment seriously and applies the same approach to appointing Board members as the Company does with its employees. Further details are set out on the following page and in our policy, which can be found on our website: **www.marstonspubs.co.uk**. Recognising the value and richness of diverse experience and backgrounds to the Company, the Committee continues to appoint on merit and ensures that its recruitment processes incorporate the widest range of suitable candidates from diverse backgrounds. As at the date of this report, three of Marston's seven Directors are female and two consider themselves to be from an ethnic minority background. On the Executive Committee, four of the seven members are female, and two consider themselves to be from an ethnic minority background.

Diversity and inclusion

At the heart of everything Marston's stands for is our people and, as a business, we want to celebrate, include and work with individuals of all walks, traits and backgrounds. We aim to ensure this commitment is reflected through three areas of focus:

- How we attract, nurture and develop our people
- How we ensure our guests have the best experience possible
- Supplier diversity to ensure inclusive procurement and an inclusive work environment.

Our vision is to be an employer of choice, with a rich and diverse mix of people who reflect the societies and communities within which we work and serve. Our policy applies to our Board members, all of our employees, our guests and our supply networks and reinforces our commitment to equality, diversity and inclusion and to having a truly representative workforce where every member of our team, every guest and every supplier feels respected, valued and able to be their best.

Marston's is a great place to work and we will continue to build on that by not tolerating or condoning any kind of inequality or unlawful discrimination. When issues do arise, we will treat them sensitively and fairly. Furthermore, we are committed to promoting a more inclusive environment to attract and promote greater diversity of talent and partnerships.

A copy of the policy can be found on our website: **www.marstonspubs.co.uk**

Gender diversity reporting

Number of employees at 1 October 2022

Election and re-elections

With the exception of Nick Varney, who was appointed to the Board with effect from 1 July 2022 and will stand for election, all Directors will offer themselves for re-election at the forthcoming AGM on 24 January 2023. Details of each Director serving on the Board at the date of this report are set out on pages 58 to 59 and shall be set out to shareholders in the Notice of Meeting. The Board is of the opinion, as recommended by the Nomination Committee, that each Director standing for election or re-election makes an effective and valuable contribution to the Company's long-term sustainable success.

CORPORATE GOVERNANCE REPORT CONTINUED

Nomination Committee report

Board evaluation

As required by the 2018 Corporate Governance Code, the Company undertakes an annual evaluation of the effectiveness and performance of the Board, its Committees and the Chair. The evaluation process helps inform any training and development needs of the Directors, improve overall effectiveness and identify any skill gap that might exist.

An internal evaluation of the effectiveness of the Board and each of its Committees was undertaken this year, led by the Chair and supported by the General Counsel & Company Secretary. All Directors, regular attendees of meetings, key advisers and the Company Secretary were invited to complete an online questionnaire through the Company's Board portal, covering all aspects of Board and Committee performance, effectiveness and contribution. The Non-executive Directors also met without the Chair being present to discuss his performance and the conclusions were fed back to the Chair by the Senior Independent Director. The Chair then summarised the comments for consideration and discussion by the Board. Details of the conclusions, together with an update on the 2021 recommendations, are set out further on this page.

The Chair concluded that the Board is satisfied with its effectiveness and that of its Committees. The Non-executive Director continue to value the NED-only meetings, with and without the Chair, and further meetings have already been scheduled as part of the 2023 Board forward agenda.

Update on the 2021 Board evaluation: outcomes and updates on action taken

Increased number of follow-ups on strategic topics
Action: Each member of the Executive Committee contributes a report to every Board pack which highlights key strategies and provides regular updates. These are supported by regular presentations by the CEO, CFO and the rest of the Executive Team.

Greater insight into the guest focus from the newly restructured Commercial Marketing team
Action: Every formal meeting of the Executive Committee includes a presentation by the Director of Insight in the Commercial Marketing Team and the minutes of each meeting are circulated to the Board for information. The Commercial Marketing Director also submits a written report for each Board meeting and is regularly invited to present. Our Reputation score is a KPI and measurements are included in the monthly information pack.

A return to face-to-face meetings, re-instating pre-Board dinners and increasing the time with the teams
Action: This year we have welcomed the resumption of face-to-face meetings, Board dinners and increasing the time and direct engagement with senior management and their teams. In 2023 we expect this trend to continue with additional pre-Board dinners and days in trade baked into the forward agenda.

A focus on more detailed KPIs including ESG measures
Action: We have agreed KPIs which are aligned to our strategy, purpose and vision as set out on page 9. At the end of every period, the Company produces a management information pack which measures and reports on the performance of each KPI; both during the period and in aggregate for the year to date. We have agreed ESG targets as set out on page 24 and, in 2023, we are gathering relevant information from our business ecosystems with a view to including these measures in the information pack.

Broadening the composition of the Board to support the new CEO and CFO
Action: As set out on page 56, the composition of the Board was strengthened by the appointment of Nick Varney.

2022 Board evaluation: outcomes and agreed actions

- Greater visibility of KPIs throughout the year.
- Increasing the Board's awareness of stakeholder engagement, particularly employee views and sentiment.
- Continuing focus on succession, development, and talent including all aspects of diversity.
- Making more time on the Board agenda for informal engagement with the Executive Committee and the Leadership Group, through Board dinners and days in trade.
- Areas identified for strategic focus for the Board in the FY2023.
- More regular check-ins to consider all aspects of Board effectiveness, including communication channels and quality and timing of Board reports.

CORPORATE GOVERNANCE REPORT CONTINUED

Audit, risk and internal control

Fair, balanced and understandable

Throughout the year, the Board receives updates on the performance of the business and key challenges, opportunities and risks. During the year-end process, comprehensive reviews and validations are undertaken by the Company Secretariat and Finance teams, with support from teams across the business to ensure that the information provided in the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable. Drafts of each section of the Annual Report and Accounts are reviewed for consistency and alignment across the whole document, and linkage to strategy, business model and risks. The accuracy of the content is then verified by supporting evidence before presentation to the Board, in good time for consideration ahead of final approval. The external Auditor provides reassurance through their review processes which are focused on consistency between the narrative and numbers, and an assessment of whether the description of business performance is consistent with the understanding gained through their audit procedures, to present a fair and balanced report on the period.

Having reviewed the processes and heard from the Audit Committee about the discussions with the external Auditor, the Board is satisfied that the Annual Report and Accounts taken as a whole presents a fair, balanced and understandable representation of the Company's position and performance, together with its strategy and business model.

Risks and internal controls

The Audit Committee receives regular and detailed updates on the Company's risks, both current and emerging, and the risk management systems that are in place to monitor and manage its risks. These are presented by the Director of Corporate Risk who attends each Audit Committee meeting to provide the Non-executive Directors with greater transparency and deepen their understanding of the Company's risk management systems and controls. The Board as a whole considers the effectiveness of the risk management and internal control systems through a thorough assessment of the risks facing the Group that could threaten its business model or future performance. To supplement these considerations, the Board receives reports and updates from the Risk & Compliance Committee along with ongoing updates from the Executive Committee and senior management. No material failings in the Group's internal controls were noted although a number of improvements were identified which management is now in the process of addressing. Improvements include reviewing the Group's Financial Reporting Controls and Processes Programme for completeness and priority of financial year 2023 workstreams to improve the quality and documentation of controls.

The Risk & Compliance Committee, chaired by the General Counsel & Company Secretary, is responsible for monitoring all areas of legal and regulatory compliance across the business and for approving Group policies. Comprising a cross-functional group of senior representatives from across the business, the Risk & Compliance Committee considers the impact of any emerging legislation on the business and the effectiveness of our internal controls and compliance processes as well as receiving regular updates on those areas identified as our key principal or emerging risks. The Risk & Compliance Committee also nominates and either oversees or undertakes 'deep dives' into areas of emerging operational risk with the objective of testing the Company's resilience and control systems. The quarterly meetings also help inform the Internal Audit plan managed by the Director of Corporate Risk and any compliance testing aimed at ensuring the Company is discharging its obligations with regard to any relevant legislation as well as its own policies and procedures. Annual updates on the activities of the Risk & Compliance Committee are provided to the Board.

More details on the Group's approach to risk management and internal controls are provided in the Strategic Report on pages 43 to 55.

CORPORATE GOVERNANCE REPORT CONTINUED

Audit Committee report

Our responsibilities

The main role of the Audit Committee is to assist the Board in discharging its responsibilities by reviewing and monitoring the integrity of the Annual Report and Accounts and Interim results, paying particular attention to significant judgements, monitoring the effectiveness of internal and external controls and risk management systems and reviewing the external Auditor's independence, objectivity and effectiveness. The Committee reports to the Board on its activities and makes recommendations, all of which have been accepted by the Board during the period under review.

Attendees

The Director of Corporate Risk and the external Auditor attend each meeting. The Board Chair, CEO and CFO are usually invited to attend all or part of the Committee's meetings.

Key activities during the reporting year

- Reviewed the Interim results and full year accounts, including the significant judgements and estimates, going concern statement and viability statement and recommended approval to the Board.
- Received a report from the Estates Director on the valuation of the estate, considered and reviewed the valuation including the methodology adopted by the independent valuer.
- Considered and reviewed the use of alternative performance measures.
- Reviewed the Company's principal and emerging risks, together with the framework for managing, mitigating and testing those risks.
- Reviewed and approved the annual Internal Audit plan for financial year 2022/23.
- Assessed the effectiveness of the Company's Whistleblowing Policy – 'Speak Up'.
- Reviewed the results of the annual evaluation of the effectiveness of the Committee and recommended improvements.
- Received updates on and approved the Statutory Pubs Code compliance report.
- Reviewed the external Auditor's independence, objectivity and effectiveness.
- Reviewed the Non-Audit Services Policy and the external Auditor's non-audit fees (of which there were none in the year).

DEAR SHAREHOLDER,

I am pleased to present the Audit Committee report for the period ended 1 October 2022. The report outlines how the Audit Committee discharged its duties over the past year and the key areas and risks it considered in doing so.

The Committee has continued to play a crucial role in assessing and having stewardship of the Group's financial reporting procedures and has continued to monitor the implementation and effectiveness of the internal control and risk management framework. Following this year's internal evaluation, I am pleased to confirm that I consider the Committee continues to operate effectively with appropriate scrutiny and no significant matters were raised as part of the evaluation.

In the first half-year, the Company was impacted by the Omicron variant and the Committee is also mindful of the ongoing uncertainty posed by world events, such as the war in Ukraine and the cost-of-living crisis. As such, I have maintained regular conversations with the Board Chair, the CFO and the external Auditor partner concerning the Company's financial position and any required courses of action. The Committee has reviewed and is supportive of the statements, judgements and estimates management has made in arriving at the conclusions set out in this report. In particular, I would draw your attention to the going concern and viability statements and the significant financial judgements, which are set out on pages 70 and 71.

The ongoing disruption further illustrates the need to embed the threat of such risks into the Company's risk management framework, and I remain reassured by the Company's response to the pandemic and the resilience it has since shown. The Company's response to the pandemic and business continuity more generally forms part of the Company's Internal Audit plan for FY 2022/23. I continue to have regular meeting outside of the Audit Committee meetings with the Director of Corporate Risk and I am confident in his capability and approach.

Another key focus for the Committee this year has been considering the review of the estate valuation, noting the impact that the pandemic and macro conditions continue to have on comparables. I am satisfied that management has undertaken a thorough process before concluding on the outcomes of the valuation process.

Finally, the Committee is cognisant of the proposals for the reform of corporate reporting and audit regime in the United Kingdom. As part of the Company's Internal Audit plan, management is undertaking an assessment of the maturity of the Group's internal financial controls and reporting environment, the results of which will be reviewed by the Committee. In addition, the Committee received various updates on the proposed reforms from the external Auditor and, going forward, regular updates are planned to enable the Committee to assess the potential impact of the reforms on the future work of the Committee.

MATTHEW ROBERTS
CHAIR OF THE AUDIT COMMITTEE

CORPORATE GOVERNANCE REPORT CONTINUED

Audit Committee report

External Audit

KPMG LLP was appointed as the external Auditor of the Company in 2020 and the Company's lead Audit Partner is John Leech who also was appointed in 2020.

Marston's relationship with the external Auditor is managed through their attendance at each Audit Committee together with regular meetings with the Chair of the Audit Committee (both with and without management present) providing sufficient opportunity to interrogate and challenge key areas and assess their independence. The Audit Committee reviewed the external Auditor's effectiveness in the following ways:

- Feedback from the members of the Audit Committee and regular attendees of Committee meetings as part of the overall review of the effectiveness of the Audit Committee.
- Feedback from the CFO and her senior team who monitor the external Auditor's performance, behaviour and effectiveness during the exercise of its duties.
- Scrutinising all reports and audit plans submitted by the external Auditor.
- The annual review conducted by the Director of Corporate Risk and presented to the Committee at the November meeting.

As a result of the ongoing review process, management and the external Auditor agreed some improvements to the year-end process with the objective of making it more efficient and effective and, where possible, mitigating the proposed cost increases.

During the year the Committee also considered the independence and objectivity of the external Auditor, which was confirmed by an independence letter from KPMG setting out their safeguarding procedures alongside regulatory requirements and their professional and ethical standards.

Taking all of the above matters into account, the Committee concluded that the audit process, independence and quality of the external Auditor is satisfactory, with the appropriate level of independence and objectivity, and therefore recommend their reappointment to shareholders.

No non-audit services were provided this year by the external Auditor.

Internal Audit function

As disclosed last year, the Company's Audit function has been reorganised into a more efficient structure to provide assurance of the adequacy and effectiveness of internal controls, risk management and compliance across the Group. The Company's Internal Audit function is led by the Director of Corporate Risk. In order to safeguard the independence of the Internal Audit function, the Corporate Risk Director regularly meets with the Chair of Committee and the external Auditor (and any other member of the Committee as required) without the Executive Directors or management being present.

The Committee has reviewed and approved the Internal Audit Plan for 2022/23 having regard to the Group's business risks and strategic objectives. Internal Audit findings are presented to the relevant manager and/or risk owner and the General Counsel & Company Secretary for review. An Internal Audit report (together with any actions agreed with management) is presented to the Audit Committee on a regular basis. The Committee reviews the effectiveness of the Internal Audit function and assesses the quality of Internal Audit reports, along with management's response, on an ongoing basis. During the financial year 2022/23, it has been agreed that the reports will include a tracker so that the Audit Committee may review and assess the timeliness of the completion of recommended or agreed actions.

Going concern and viability statements

Trading in the first half of the year was impacted by the emergence of the Omicron variant and the Committee has continued to monitor and review management's assessment of the potential impact. In particular, it was necessary during the year to seek amendments to banking financial covenants across the lending banks and private placement provider, due to the trading restrictions caused by the impact of the Omicron variant. The Committee noted that the covenant amendments were granted, and the amended covenant tests were met. The Committee further noted that no securitisation waivers or amendments were required.

The Committee has continued to monitor and review management's assessment of the ongoing impact of COVID-19, the Group's financial position and exposure to principal risks, including the cost-of-living crisis; specifically with regard to the Group's ability to operate as a going concern for the next twelve months and meet its liabilities as they fall due over the next three years.

Statutory Pubs Code

The Audit Committee has been updated during the year on matters relating to the Pubs Code and, in accordance with those regulations, the Chair of the Audit Committee has approved the annual compliance report that was submitted to the Pubs Code Adjudicator (PCA) by the Company's Code Compliance Officer for the reporting period 1 April 2021 – 31 March 2022 (PCA Period).

During the PCA Period, Marston's was not subject to any investigations, enforcements or representations of unfair business practices by the PCA. During the PCA Period, seven referrals were made to the PCA, six of which were withdrawn.

The Group continues to work within the Pubs Code regulations and regularly reviews its internal processes. During the PCA Period, the Company launched a new e-learning module for all internal and external stakeholders to help ensure best practice and the delivery of compliance-based training in a consistent and comprehensive way.

The PCA compliance report can be accessed on our website: **www.marstonspubs.co.uk/responsibility/statutory-pubs-code/**

CORPORATE GOVERNANCE REPORT CONTINUED

Audit Committee report

The Committee has considered the methodology of management's projections and forecasts, noting that they assume moderate sales price increases, operational costs rising broadly in line with inflation and increased borrowing costs. The Committee further notes that management have also considered a severe but plausible downside scenario, incorporating reduced visits as a result of the cost-of-living crisis.

The conclusion of this assessment was that the Directors are satisfied that the Group has adequate liquidity to withstand such a severe but plausible downside scenario. However, the Group has Debt Cover and Interest Cover covenants across its banking group and private placement provider and Liquidity and Unencumbered Asset Cover covenants only with its private placement provider; the Debt Cover, Interest Cover and Unencumbered Asset Cover covenants are forecast to be breached during FY2023 starting at the 31 December 2022 test and will require covenant amendments. In respect of the Liquidity covenant associated with the Group's £40 million private placement borrowings, for the October 2022 fiscal month, there was a technical default, for which waivers have been secured. The Group also obtained prospective waivers from its private placement provider for the November and December 2022 fiscal month Liquidity covenants and further amendments to this Liquidity covenant will be required during the year. These waivers and amendments are required due to the impact of COVID-19 and the Omicron variant in H1.

The Group will continue to have regular communication with its lenders throughout this period and, on the basis of the previous waivers and covenant amendments secured and the return to pre-pandemic levels of trading during the current financial year, the Directors expect to be able to secure the future covenant amendments required, albeit this cannot be guaranteed. Accordingly, the financial statements continue to be prepared on the going concern basis but with material uncertainty arising from the current macroeconomic environment. Full details are included in Note 1 to the Financial Statements.

Accordingly, the Committee has noted that the Group's financial statements have been prepared on a going concern basis but with material uncertainty arising from the current macroeconomic environment.

Key estimates and significant financial judgements

The following significant financial judgements and estimates were considered by the Committee in relation to the reporting year. The Committee notes that under IFRS management is required to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements made by management are continually evaluated by the Committee. The Group's key assumptions and significant judgements considered by the Committee are set out below:

- Non-underlying items – determination of items to be classified as non-underlying
- Property, plant, and equipment – valuation of effective freehold land and buildings
- Retirement benefits – actuarial assumptions in respect of the defined benefit pension plan, which include discount rates, rates of increase in pensions, inflation rates and life expectancies
- Financial instruments - valuation of derivative financial instruments

CMBC impairment review

The Committee notes that CMBC operates in a sector that has been disproportionately impacted by COVID-19 and, as such, an impairment review was undertaken by management under IAS 36 'Impairment of assets'. The recoverable amount of the Group's investment was estimated on a value in use basis. It was reported to the Committee that this was based on forecast cash flows approved by the board of CMBC, which were reviewed by external auditors. The impairment review undertaken indicated there was sufficient headroom over the carrying amount. Management concluded that no reasonably possible change in the assumptions used would have resulted in an impairment and the Committee is supportive of management's approach and conclusions. As such the Committee notes the recoverable amount for the Group's investment in CMBC is not considered to involve key assumptions or significant judgements.

Market Capitalisation

The Committee notes that restricted trading during the last few financial years, including the impact of COVID-19 and cost-of-living crisis, has negatively impacted the Company's share price, and the share price of its industry peers, resulting in a gap between the Company's market capitalisation and asset values. Management has performed a market capital gap analysis to determine whether an impairment of the asset values is required. The Committee noted that the analysis showed that there is sufficient headroom between the total asset value and enterprise value and is comfortable with management's conclusion that, as such, no impairment is required.

Estate valuation

As noted and approved by the Committee in 2021, the Group has moved to annual external valuations of its properties, with approximately one third of the estate being inspected each year, on a rotational basis. Following a tender process overseen by the Committee, Christie & Co were appointed and undertook an external valuation in July 2022. The Committee met on several occasions to consider the valuation and both the external Auditor and the Chair of the Audit Committee met with Christie & Co to consider their methodology and approach. The Committee noted that the valuer's assumptions around fair maintainable trade and valuation multiples were towards the lower end of management's expectations but that the multiples disclosed, by both the Group's peers in their valuations and recent comparable transactions, were within an acceptable range and the Committee accepted the valuation. The Committee notes that the carrying value of the Group's estate is now £2.1 billion and as a result of the valuation and leasehold impairment review, there is an effective freehold impairment reversal of £88.4 million and a leasehold impairment reversal of £5.0 million, giving a £93.4 million increase in net book value. Further details are set out on page 18.

CORPORATE GOVERNANCE REPORT CONTINUED

Directors' remuneration report

DEAR SHAREHOLDER,

I am pleased to present our report for the period ended 1 October 2022 which sets out the details of our new Directors' Remuneration Policy, being put to shareholders at the 2023 AGM, Directors' remuneration in respect of 2021/22 and how we intend to operate the Remuneration Policy in 2022/23.

Overview of performance in 2021/22 and business context

The first half of the reporting year was impacted by the trading restrictions and consumer confidence as a consequence of the Omicron variant of COVID-19. Following the launch of our 'Pubs to be proud of' vision, at the start of the 2021/22 FY, our people worked incredibly hard to deliver our core pub and corporate goals.

Total revenue for the reporting year increased by 99% to £799.6 million (2021: £401.7 million), principally reflecting our recovery from a period severely impacted by the global pandemic and the significant restrictions on pub trading during the prior year. We have seen high levels of guest satisfaction and standards, delivered by our engaged workforce. The performance of the business supports the progress against our strategic goals and the transformation of our business during the reporting year.

Given the significant disruption to trading and margins in the reporting year, and the potential for continuing uncertainty, the Board has agreed that it would not be appropriate to propose a dividend in respect of FY 2021/22. Our immediate priority is to reduce debt, but the Board remains cognisant of the importance of dividends to many of our shareholders and we continue to keep our dividend policy under review.

Performance outcomes for the year

Annual bonus 2021/22

Stretching targets were set at the start of 2021/22, amidst continuing supply and labour challenges and growing concerns over rising inflation, energy costs and interest rates. Targets were based on a balanced mix of financial (EBITDA and FCF) and strategic measures (performance vs Peach market tracker, Reputation scores and employee engagement).

During the year, the Remuneration Committee reviewed the operation of the Peach market tracker, which provides sales data for the UK eating and drinking out market. Following that review, at the March 2022 meeting, the Committee replaced the Peach market tracker with a Group sales measure with equivalently stretching targets. As part of a balanced scorecard, Group sales better reflects overall financial performance.

Having made a strong start to the year, with promising levels of Christmas bookings, the business was heavily impacted by the trading restrictions imposed as a consequence of the Omicron variant in December 2021. It became quickly apparent that the EBITDA and cashflow performance conditions, which had very recently been set, had been rendered unachievable. Recognising the need to maintain motivation within our pub, operational and support teams, the Committee concluded that it would be in shareholders' interests if the targets for both financial measures were adjusted to exclude the negative impact of Omicron by removing trading periods 1–4.

The Committee also agreed that, in the first full year of our new strategy, it was important to make the equivalent adjustments to the senior management team bonus targets. To balance this use of positive discretion, the quantum available under the financial measures applying to 70% of the bonus was reduced by four twelfths. The 30% applying to the strategic measures was unchanged as the targets remained unmodified and were assessed over the full 12 months. As a result, the bonus opportunity for the year was reduced from 100% of salary to 76.66% of salary.

The adjustments to the bonus were aligned across the wider workforce and the original and adjusted target ranges can be found on page 87.

During the remainder of the year, our business was impacted by continuing supply chain challenges, volatility in our economy, rising energy costs and the cost-of-living crisis. Performance against our financial measures (Group sales, EBITDA and FCF) did not reach threshold and no bonus is payable against those measures. However, we have worked hard to raise standards, engage with our people and to consistently improve guest experiences. We were delighted to see our employee engagement score achieve 7.8 at the end of the reporting year, surpassing our threshold target and very close to our ambitious target of 8.0. Despite a challenging year for our people, they have remained fully engaged, which is a notable achievement given the high turnover rate seen in our sector.

CORPORATE GOVERNANCE REPORT CONTINUED

Directors' remuneration report

Our Reputation score achieved 731, reflecting the efforts of our people in consistently delivering great guest experiences, ensuring our guests return time and time again, giving us confidence in growing our future sales performance. A full breakdown of the objectives and our performance against them is contained in this report. Overall, based on the achievement of these performance measures, the CEO and CFO will receive a bonus of 14% of maximum.

When reviewing the formulaic outcome of the bonus against the targets, the Committee took into account:

- Wider business performance – an improvement in business performance and a positive year of change, with increased standards and great guest experiences, and an increase in our net asset value.
- The wider workforce experience – our Group scheme earned a pay-out of between 22.5% and 25% of maximum (higher than that of the Executive Directors), ensuring that our people have been recognised for their efforts during the year to raise standards and improve the guest experience.

Based on the considerations set out above, the Committee is comfortable that the formulaic outcome of the bonus is appropriate and so no discretion has been applied on the adjusted formulaic outcome.

LTIP 2019/20 award vesting

The three-year performance period for the LTIP award made in December 2019 ended on 1 October 2022. Performance was based 40% on underlying Earnings Per Share (EPS), 40% on Net Cash Flow (NCF) and 20% on Total Shareholder Return (TSR) versus the companies in the FTSE 250 Index (excluding Investment Trusts). Due to the impact of the pandemic, the EPS and TSR elements did not reach the threshold performance requirement. However, NCF achieved maximum performance. The Committee discussed the formulaic outcome of the LTIP at length. We considered the impact of the disposal of the beer company into the CMBC on the NCF outcome and details of the Committee's considerations in this regard are set out later in this report on page 88.
In addition, the awards were granted prior to the onset of COVID-19 (i.e., there was no potential for COVID-19 related windfall gains). As a result, the Committee is comfortable that there has been a clear and strong link between reward and performance and that discretion was not required to adjust the incentive outcome. Shares received by the Executives on vesting will be held for a further two years before they can be sold, unless they are required to continue to be held to build towards the 200% of salary guidance level.

The Committee is comfortable that actions taken on pay during the year across the Company were appropriate and balanced the interests of all stakeholders and that the Remuneration Policy operated as intended.

Directors' Remuneration Policy

Our current Policy was approved at our 2020 AGM and is due for renewal at our 2023 AGM. Our current Policy has served the Company well over the past three years, enabling us to be flexible in the payments to Executive Directors and to recruit a new CEO and CFO, and it has provided a good overall link between pay and performance. On this basis, and having explored alternative incentive mechanisms, including Restricted Shares, our review concluded that only a few minor amendments were necessary to the structure, mainly relating to simplification and alignment to market best practice.

In addition to looking at structure, the Remuneration Committee reviewed the market competitiveness of the packages and the incentive opportunity, as we seek to execute our strategic growth plans and corporate goals towards achieving our ambition of £1 billion of sales. We have made a modest increase to the maximum annual bonus opportunity available under the Policy, from 100% to 125% of salary. However, whilst stretching targets will still be set for the 2022/23 FY bonus, recognising the need for restraint at the current time, we will continue to operate the bonus at a 100% maximum level, for at least the first year. There are no proposed changes to the LTIP maximum normal grant limit of 150% of base salary under the current Policy.

The change set out above represents an aligned approach between the Executive Committee and Leadership Group. To further balance the increase to potential performance-based remuneration, we have strengthened the deferral under the annual bonus and the post-employment shareholding requirements (which will apply from FY 2022/23 even though the increase to policy headroom for the bonus will not be applied immediately).

Implementation of the Remuneration Policy in 2022/23

The Committee considered how remuneration should be implemented for 2022/23. Part of this process was reviewing current practice against both market and best practice, our Group reward principles and pay ratios, the current economic situation and responses to our shareholder consultation. The Committee recognises the need for restraint at the current time and has agreed that no changes will be made to the operation of our incentive schemes, for at least the first year.

CORPORATE GOVERNANCE REPORT CONTINUED

Directors' remuneration report

The key decisions taken for 2022/23 included:

Base salary and fees effective 1 October 2022

During the year, the Committee reviewed the salary increases for the wider salaried workforce taking into account high inflation and the cost of living and also the need to control our cost base. As a result of the review, the majority of the wider salaried workforce received an increase of 4% of salary. In addition, most salaried employees were eligible to receive a one-off payment of up to £750, to help with the sharp increase to the cost of living and energy costs. Therefore, with an increase of 4% applied to the majority of the salaried workforce, plus the additional payments, the Committee was comfortable with a lower increase of 3% for the Executive Directors.

Non-executive Director and Chair's fees have been increased by 3% for 2022/23.

Annual bonus for 2022/23

The annual bonus opportunity for Executive Directors will be 100% of salary, in line with the previous year. Performance measures remain unchanged and are aligned to our strategic objectives. In line with the new Remuneration Policy, more stringent deferral requirements will apply and so, one third of any bonus paid will be deferred into shares for three years.

LTIP for 2022/23

There were no proposed changes to the maximum grant limit of 150% of base salary under the current policy, recognising that this provided headroom above the currently applied grant level of 125% of salary. For the next policy period, recognising that stretch targets would be set in line with the longer term strategy to 2025 and beyond, we had intended to increase the grant level from 125% of salary to 150% for the CEO combined with challenging and stretching performance targets to drive top-end performance.

However, should the current weakness in the share price, at the time of writing, persist, we have decided that, for the FY 2022/23 award, we will reduce the grant level for the CEO from 150% back to 125% of salary, with the same proportionate scale back for the CFO, whose grant level would reduce from 125% to 104%. Despite the scale-back, stretch targets will still be set.

ROCE has been introduced as a performance measure. ROCE, alongside the other measures previously included (NCF, TSR and PBT), will provide a rounded assessment of our overall profitability and shareholder return.

Other considerations during the year

Executive Director pay and the wider workforce

We aim to operate with fairness, integrity, and transparency across the business. Salary, benefits and performance related rewards provided to employees are taken into account when setting the policy for Executive Directors' remuneration.

Salary increases across the workforce were reviewed during the year, taking into account inflation. For the majority of our pub teams, their remuneration is set by statute rather than the market. However, following the statutory increases applied in April 2022 to the National Minimum Wage (NMW), the Company applied additional increases that ensured our team members are paid more than the statutory minimum, regardless of their age.

The Committee also has oversight of how bonus schemes throughout the organisation align, and of the performance measures, targets and outturn of each scheme. The amendments made to the 2021/22 bonus measures and the pay-out under the bonus were aligned across the workforce.

The achievement of our strategic objectives is dependent upon the quality of our people. The engagement and enablement of our teams remains front and centre of our plans. The Committee has engaged directly with employees to explain the alignment of pay across the Group (including the Directors' Remuneration Policy).

An in-person session was originally planned for 19 September 2022 but, due to the Bank Holiday for the Queen's funeral, the session was held virtually in October 2022. The Directors' Remuneration Policy and its implementation were not raised as a material issue in the discussion during the engagement and so no amendments to the Remuneration Policy or its proposed implementation were required. Positive comments were made on the bonus opportunities for the workforce, particularly on the alignment of performance measures and understanding of their contribution to the Company's performance.

Directors' remuneration report

Shareholder engagement

During 2022, we engaged with our largest investors as well as Institutional Shareholder Services (ISS), Investment Association (IA) and Glass Lewis, to understand their views on our proposed new Policy and the proposed implementation in 2022/23. Overall, the feedback received was supportive for the new policy, although there was encouragement for restraint on any quantum increases at the current time. The Committee took these views into account when finalising the policy proposals and operation for FY 2022/23.

We welcome and encourage all feedback from our shareholders as it helps inform our thinking on remuneration matters and we hope we can rely on your continuing support. If you would like to contact me directly to discuss any aspect of our Policy or this report, then please email me at **remunerationchair@marstons.co.uk**. I will be available at the AGM (on 24 January 2023) to answer your questions. Alternatively, if you are not able to attend or, if any prevailing restrictions at the time prevent the AGM from being held as a physical meeting, please do send your questions to the email address above.

OCTAVIA MORLEY
CHAIR OF THE REMUNERATION COMMITTEE

Octavia K. Morley

Our responsibilities

- Determining the framework and policy for Executive Directors' remuneration.
- Within that framework, setting the remuneration for the Executive Directors and other members of the Executive Committee (including the General Counsel & Company Secretary).
- Setting the Chair's remuneration.
- Establishing remuneration schemes that promote long-term shareholdings by Executive Directors, that support alignment with long-term shareholder interests.
- Designing remuneration policies and practices to support strategy and promote long-term sustainable success, with remuneration aligned to the Group's purpose and values and linked to the successful delivery of our long-term strategy. Choosing appropriate performance measures and targets for annual and long-term incentive awards, exercising independent judgement and discretion when considering awards and pay-outs, taking account of Group and individual performance, and wider circumstances.
- When determining remuneration policy and practices, considering the Code requirements for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture.
- To consider remuneration policy in the context of the wider workforce benefit structures, pension provision and remuneration trends across the Group and challenge, when necessary, to ensure alignment.

Key activities of the Committee in respect of the year

- Reviewed the Remuneration Policy ahead of the 2023 AGM.
- Consulted with investors on the Remuneration Policy and the proposed implementation of the Policy in 2022/23.
- Engaged with the wider workforce on the alignment between Executive pay and the wider workforce.
- Consideration of pay review proposals for the Chair, senior management and the wider workforce.
- Continued to monitor the impact of the COVID-19 pandemic on employee wellbeing, reward and motivation as the business reopened.
- 2022 bonus and 2019/20 LTIP award outturns, as outlined above.
- Consideration of targets for Operational, Group, senior management and Executive Director bonus schemes.
- Consideration of LTIP grants.
- Review of Executive Directors' and senior management shareholdings in the Company, in the context of shareholding guidelines.
- CEO pay ratio reporting.

CORPORATE GOVERNANCE REPORT CONTINUED

Directors' remuneration report

Attendees

The Committee met three times during 2021/22. The names of each Committee member and meeting attendance are shown below. For further details on Committee membership and the membership of other Board Committees, see pages 58 and 59.

Committee member	Meeting attendance
Octavia Morley (Chair)	3/3
Bridget Lea	3/3
Matthew Roberts	3/3
Nick Varney[1]	1/1

1 Nick Varney was appointed to the Board and the Remuneration Committee with effect from 1 July 2022.

The Committee receives advice from a number of different sources. This helps to inform decision-making and ensures the Committee is aware of pay and conditions in the Group as a whole, and conditions in the wider market.

Andrew Andrea, CEO, attended the majority of meetings during the year to provide advice in respect of the remuneration of senior management. HR Director and Deputy Company Secretary also attend each meeting and provide advice to the Committee. No person is in attendance for any discussions regarding their own remuneration.

Korn Ferry were appointed by the Committee following a review in 2022 and attend meetings when required. Korn Ferry provided advice on the Remuneration Policy and supported management with technical matters relating to the execution of the Committee's decisions. Korn Ferry received fees amounting to £35,762 during the year in respect of advice given to the Committee. Korn Ferry is a member of the Remuneration Consultants Group and, as such, voluntarily operates under its Code of Conduct in relation to executive remuneration consulting in the UK. The Committee is satisfied that the advice received was objective and independent. Prior to the appointment of Korn Ferry, Deloitte received fees amounting to £5,200 during the reporting year, in respect of advice given to the Committee.

Annual General Meeting voting outcomes

The following table summarises the details of votes cast for the Directors' Remuneration Policy and the Directors' remuneration report at the 2020 and 2022 AGM, along with the number of votes withheld. The Committee will continue to consider the views of, and feedback from, shareholders when determining and reporting on remuneration arrangements.

	Votes For	%	Votes Against	%	Votes Total	Votes Withheld
Directors' remuneration report 2022 AGM	81,110,385	95.90%	3,465,338	4.10%	84,575,723	95,575
Directors' Remuneration Policy 2020 AGM	89,792,873	86.05%	14,551,016	13.95%	104,343,889	131,691

CORPORATE GOVERNANCE REPORT CONTINUED

Remuneration summary

Performance snapshot

Measure	Annual bonus performance	
	Performance	Achievement (% of max)
Group EBITDA	30%	0%
Group Free cash flow	40%	0%
Group Sales	10%	0%
Reputation score	10%	
Employee engagement	10%	

Measure	Long-term incentive performance	
	Performance	Achievement (% of max)
Underlying EPS	40%	0%
Net cash flow	40%	
Relative TSR vs FTSE250 (excluding Investment Trusts)	20%	0%

Total remuneration

Implementation for 2022/23

Base Salary	• Andrew Andrea – £620,626 (3% increase) • Hayleigh Lupino – £397,838 (3% increase)
Benefits	No change
Pension	3% of salary
Bonus	• Maximum opportunity: 100% of salary • Subject to EBITDA, FCF, sales, reputation score and employee engagement score objectives • One third of any bonus earned will be deferred for three years
LTIP	• Maximum opportunity: – Andrew Andrea –125% of salary – Hayleigh Lupino – 104% of salary • Awards subject to NCF, TSR, PBT and ROCE • 2-year post-vesting holding period applies
Shareholding guidelines	• In employment: 200% of salary • Post-employment: 200% of salary for 2 years

Incentive timelimes

	Year 1	Year 2	Year 3	Year 4	Year 5
Annual bonus					
Long-term Incentive plan					

Key: ● Performance period ● Deferral/holding period

CORPORATE GOVERNANCE REPORT CONTINUED

Remuneration Policy

This report has been prepared in accordance with the provisions of the Companies Act 2006, the Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2008 and the subsequent amendments, and the Financial Conduct Authority (FCA) Listing Rules. In addition, the report has been prepared on a 'comply or explain' basis with regard to the UK Corporate Governance Code 2018.

The Remuneration Policy described in this section is intended to apply for three years and will be applicable from the date of approval by shareholders at the Company's 2023 AGM.

The key changes to the Policy are set out below.

- Pension:
  - All Executive Directors must have a pension contribution in line with the wider workforce (currently 3% of salary) rather than just new hires. This element is purely a change to the Policy wording, as the current Executive Directors already comply.
- Annual bonus:
  - The Remuneration Committee reviewed the market competitiveness of the packages and the incentive opportunities, as we seek to execute our strategic growth plans and corporate goals towards achieving our ambition of £1bn of sales. As a result, we have made a modest increase to the maximum bonus opportunity available under the Policy, from 100% to 125% of salary.
  - Currently, bonus payments up to 40% of the maximum are payable in cash and those in excess of 40% of maximum are deferred into shares for three years. Under the proposed Policy, one third of any bonus earned will be deferred for three years. The de minimis requirement for the bonus deferral has also been removed. This means that part of the bonus will always be deferred, which will help the Executive Directors (and Executive Committee to whom this will also apply) build up a shareholding in the Company quicker and aligns with market practice.
  - The pay-out schedule for the financial and non-financial measures will be aligned with 20% of maximum paying out at threshold (where the nature of the performance metric allows such an approach).
- Long-term incentive plan (LTIP):
  - The current Policy states that the LTIP will be based on financial measures and/or share price growth related measures, aligned to the Group's long-term strategy. The proposed Policy provides greater flexibility in the Policy to allow the Remuneration Committee to use other measures in the LTIP that best align to Company strategy e.g., ESG and other non-financial strategic measures. Financial or shareholder return targets will apply to a majority of the award.
  - The policy regarding dividend equivalents has been updated to reflect market practice. Rather than dividend equivalents only being awarded from the end of the performance period until the date of release, the participants may receive dividend equivalents equal to the value of dividends that would have been received on the shares over the vesting period (and holding period if structured as a nil-cost option).
- Shareholding requirement:
  - The current Policy requires Executive Directors to hold 100% of all vested shares from the LTIP, net of tax, until the guideline is met (deferred bonus shares do not need to be retained). Under the proposed Policy, Executive Directors will be required to continue to hold 50% of deferred shares, as well as vested LTIP awards until the guideline is achieved. This brings this feature in line with normal market practice and provides a better balance between a cash payment and the retention of shares.
  - The current Policy for post-employment shareholding requires 200% of salary to be held for one year and 100% of salary for an additional year. The revised Policy states that the full 200% of salary must be held for 2 years post-cessation, in line with IA guidelines and market best practice.
- Other Policy elements:
  - The recruitment and leaver policies have been simplified and aligned to normal market practice, and to remove the ability for the bonus earned for the year of departure and the preceding year to be paid wholly in cash (with no deferral).

Determining the Remuneration Policy

The Committee is responsible for the development, implementation, and review of the Directors' Remuneration Policy. In addressing this responsibility, the Committee works with management and external advisers to develop proposals and recommendations. The Committee considers the source of information presented to it, takes care to understand the detail and ensures that independent judgement is exercised when making decisions.

CORPORATE GOVERNANCE REPORT CONTINUED

Remuneration Policy

When setting the Remuneration Policy, the Committee considered the Company's strategic objectives over both the short and the long term, the external market, market best practice and pay across the Group. The Policy has been tested against the six factors listed in Provision 40 of the UK Corporate Governance Code:

- **Clarity** – the Policy is as clear as possible and is described in straightforward concise terms to shareholders and our people in this report.
- **Simplicity** – remuneration structures are as simple as possible and market typical, whilst at the same time incorporating the necessary structural features to ensure a strong alignment to performance and strategy, minimising the risk of rewarding failure.
- **Risk** – The Committee monitors the bonus and LTIP to take into account risk levels. Pay is focused on long-term performance through the LTIP, mandatory bonus deferral, recovery provisions and in-employment and post-employment shareholding requirements. To avoid conflicts of interest, Committee members are required to disclose any conflicts or potential conflicts ahead of Committee meetings. No Executive Director or other member of management is present when their own remuneration is under discussion.
- **Predictability** – elements of the Policy are subject to caps. Examples of how remuneration varies depending on performance is set out in the scenario charts (set out on page 85). The Committee may exercise its discretion to adjust Directors' remuneration if a formula-driven incentive pay-out is inappropriate in the circumstances.
- **Proportionality** – there is a sensible balance between fixed pay and variable pay, and incentive pay is weighted to sustainable long-term performance. Incentive plans are subject to performance conditions that consider both financial and non-financial performance linked to strategy. Outcomes will not reward poor performance.
- **Alignment to culture** – we operate with fairness, integrity and transparency across the organisation. Pay provided to employees is taken into account when setting policy for Executive Directors' remuneration. Where possible, in support of our performance culture, we align remuneration across the Group.

The pay alignment across the business

The Company aims to provide a remuneration package that is market competitive, complies with any statutory requirements and is applied fairly and equitably across the wider employee population. Where remuneration is not determined by statutory regulation, the Company operates the same core principles as it does for Executive Directors, namely:

- We remunerate people in a manner that allows for stability of the business and the opportunity for sustainable long-term growth.
- We seek to remunerate fairly and consistently for each role with due regard to the marketplace, internal consistency and the Group's ability to pay.

Our bonus schemes have evolved to ensure all our employees have the opportunity to be appropriately rewarded for the achievement of our core pub and corporate goals. Performance measures and targets are aligned to our vision of 'Pubs to be proud of' and cascade as appropriate, from Executive Directors down to pub level.

Mandatory bonus deferral (where applicable) and participation in the LTIP is extended to the senior management team in line with the policy for Executive Directors. Share ownership is encouraged and shareholding requirements apply to the Executive Committee and Leadership Group. We also encourage long-term employee engagement through the offer of an all-employee share plan to all employees of the Group who meet a minimum service requirement.

CORPORATE GOVERNANCE REPORT CONTINUED

Remuneration Policy

How employee views are taken into account

Salary, benefits and performance-related rewards provided to employees are taken into account when setting policy for Executive Directors' remuneration. We engage with our employees through Peakon monthly surveys and workforce engagement sessions.

In October of each year a paper is submitted to the Committee by the HR Director summarising the outcome of any annual reviews made to the wider workforce (which includes all employees except for the majority of pub-based employees who have their remuneration rate set by statute rather than the market). This paper is taken into account when setting Executive Directors' remuneration effective from the start of October for the following 12 months.

In addition, and where relevant, a similar paper is submitted in October covering the decisions taken by the Executive Committee relating to bonus payments for employees within the wider workforce. This is taken into consideration by the Committee when approving bonus awards for Executive Directors.

Our monthly engagement survey reaches all of our employees and our workforce engagement sessions are attended by at least one Non-executive Director. The Committee engaged directly with employees to explain the alignment of pay across the Group and the key elements of the Directors' Remuneration Policy.

How shareholder views are taken into account

In considering the operation of the Remuneration Policy, the Remuneration Committee will take into account the published remuneration guidelines and specific views of shareholders and proxy voting agencies.

The Committee is committed to open and transparent dialogue with shareholders and welcomes feedback on Executive and Non-executive Directors' remuneration. The Remuneration Committee will consult with our larger shareholders, where considered appropriate, regarding changes to the operation of the Remuneration Policy and when the Remuneration Policy is being reviewed and brought to shareholders for approval. Furthermore, the Remuneration Committee will consider specific remuneration concerns or matters raised at any time by shareholders.

During 2022, we engaged with our largest investors as well as Institutional Shareholder Services (ISS), Investment Association (IA) and Glass Lewis, to understand their views on our proposed new Policy and the proposed implementation in 2022/23. The outcome of this shareholder consultation is set out in the Chair's Statement.

Aims

The Policy is designed to ensure that Executive Directors are provided with sufficient remuneration to motivate each individual with incentives that are aligned to strategy and encourage enhanced performance. The Committee believes that variable pay should only be earned for achievement against stretching targets and will continue to ensure that targets provide an appropriate balance between motivating and rewarding Executive Directors to deliver stretching but sustainable performance, without encouraging excessive risk taking.

The table below and the accompanying notes describe the Remuneration Policy for Executive Directors.

Base salary	
Purpose and link to strategy	Core element of fixed remuneration, reflecting the individual's role and experience.
Operation	Usually reviewed annually and fixed for 12 months commencing 1 October. Whilst Executive Directors are contractually entitled to an annual review of their salary, there is no entitlement to an increase as a result of this review. Salary levels are determined by the Committee taking into account a range of factors including: • role, experience and performance; • underlying performance of the business; • alignment with workforce; • prevailing market conditions; and • external benchmarks for similar roles at comparable companies.
Opportunity	Salary increases are reviewed in the context of salary increases across the wider workforce. The Committee considers any increase which is out of line with these very carefully and such increases may be awarded where there is a reason to do so taking into account relevant factors. These circumstances may include but are not limited to: • increase in scope and responsibility; • development and performance in the role (including that if a newly appointed Executive Director's salary is positioned below a market rate it may be increased to a market rate over such period as the Committee considers appropriate); or • a salary falling significantly below market positioning.
Performance metrics	Not applicable, although the individual's contribution and overall performance are considerations in determining the level of any salary increase.

CORPORATE GOVERNANCE REPORT CONTINUED

Remuneration Policy

Benefits	
Purpose and link to strategy	Ensures the overall package is competitive.
Operation	Executive Directors receive benefits in line with market practice which include a car allowance, private medical insurance and life assurance. Other benefits may be provided based on the role and individual circumstances. These may include, for example, relocation and travel allowances.
Opportunity	Set at a level which the Committee considers appropriate against the market and provides a sufficient level of benefit based on individual circumstances.
Performance metrics	Not applicable.

Retirement benefits	
Purpose and link to strategy	Contributing to savings to deliver appropriate income in retirement.
Operation	Executive Directors are eligible to participate in the defined contribution pension scheme (or such other pension plan as may be deemed appropriate). In appropriate circumstances, Executive Directors may take a salary supplement instead of contributions into a pension plan.
Opportunity	Pension contributions (or cash allowance) will not exceed the pension contributions available to the majority of the workforce (which is currently 3% of salary).
Performance metrics	Not applicable.

Annual bonus	
Purpose and link to strategy	Rewards performance against targets which support the strategic direction of the Group. Compulsory deferral into shares aligns Executive Directors with shareholder interests and provides a retention element.
Operation	Performance measures and applicable targets are set annually and any payout is determined by the Committee after the period end, based on performance. The Committee has discretion to vary the bonus payout should any formulaic output not reflect the Committee's assessment of overall business performance or not be appropriate in the context of circumstances that were unexpected or unforeseen at the start of the bonus year. One third of any bonus paid (after tax) will be used to purchase shares which the Executive Director must normally hold for three years. Recovery provisions apply, as referred to below.
Opportunity	The maximum annual bonus opportunity is 125% of base salary.
Performance metrics	Performance measures are determined each year reflecting the business priorities that underpin Group strategy. At least 50% of the award will be based on financial performance measures aligned to the Group's financial key performance indicators. The balance of the bonus opportunity may be based on non-financial objectives such as the delivery of strategic/individual/ESG objectives. No more than 20% of the relevant portion of the annual bonus is payable for delivering a threshold level of performance, and no more than 50% is payable for delivering a target level of performance (where the nature of the performance metric allows such an approach). There is usually straight-line vesting between the threshold and target performance levels and between target and maximum performance levels.

CORPORATE GOVERNANCE REPORT CONTINUED

Remuneration Policy

Long Term Incentive Plan ('LTIP')	
Purpose and link to strategy	Incentivises Executive Directors to deliver against the Group's strategy over the longer term. Long-term performance targets and share-based remuneration support the creation of sustainable shareholder value.
Operation	Awards of conditional shares or nil-cost options can be made with vesting dependent on the achievement of performance conditions, normally over a three-year performance period. Vested LTIP awards are normally subject to an additional holding period of two years before being released. The Committee may grant nil-cost options in conjunction with a tax-advantaged option granted under the tax-advantaged schedule to the LTIP (a 'Linked Nil-Cost Option'). This linking arrangement gives the participant and the Group the opportunity to benefit from the tax treatment available in respect of tax-advantaged options without increasing the pre-tax value delivered to the participant. The Committee has discretion to vary the formulaic vesting output applying to any LTIP award where it believes the outcome does not reflect the Committee's assessment of overall business performance or is not appropriate in the context of circumstances that were unexpected or unforeseen at the date of grant. LTIP Awards may (where permissible) carry a right to a separate payment (in cash or shares) equal to the value of dividends that would have been received on the shares over the vesting period (and holding period if structured as a nil-cost option). The payment may assume the reinvestment of the dividends. Recovery provisions apply as referred to below.

Long Term Incentive Plan ('LTIP') continued	
Opportunity	The normal maximum award size will be up to 150% of base salary in respect of any financial year. In exceptional circumstances the Committee reserves the right to award up to 200% of base salary in respect of any financial year. For the reasons above, if an LTIP award is granted as a Linked Nil-Cost Option, the shares subject to the tax-advantaged option to which it is linked will not count towards this limit.
Performance metrics	The vesting of LTIP awards is subject to the satisfaction of performance targets set by the Committee. Performance measures will be determined by the Committee for each LTIP award in line with the long-term business strategy and KPIs. Threshold performance under each metric will result in no more than 25% of that portion of the award vesting. The Committee will regularly review the performance conditions and targets to ensure they are aligned to the Company's strategy and remain challenging and reflective of commercial expectations. Financial or shareholder return targets will apply to the majority of an award.

All-employee share plan	
Purpose and link to strategy	To provide alignment with Group employees and to promote share ownership.
Operation	The Executive Directors may participate in any all-employee share plan operated by the Company.
Opportunity	The value of shares over which awards may be granted will be in line with the relevant legislative limits (from time to time).
Performance metrics	Not applicable.

CORPORATE GOVERNANCE REPORT CONTINUED

Remuneration Policy

Shareholding guidelines	
Purpose and link to strategy	To provide alignment with shareholders' interests.
Operation	**During employment** Executives are required to build up and retain a shareholding equivalent to 200% of their base salary. Until the shareholding requirement is met, Executive Directors will be required to retain 50% of the net of tax shares they receive under any incentive plan. **Post-employment** Any Executive Director leaving the Company will be expected to retain the lower of the shares held at cessation of employment and shares to the value of 200% of salary, for a period of two years. The Committee will have discretion to amend the requirement in exceptional circumstances.
Opportunity	Not applicable.
Performance metrics	Not applicable.

Recovery provisions (malus and clawback)

Annual bonus awards and LTIP awards are subject to recovery provisions which may be applied for up to two years following the payment in the case of the annual bonus, and for up to two years following vesting in the case of an LTIP award. These provisions may be applied in the following circumstances:

- a material misstatement of the Company's audited financial results;
- a material failure of risk management by, or corporate failure of, the Company, any member of the Company's group ('Group') or a relevant business unit;
- the Remuneration Committee determining that the relevant Participant or former Participant has been guilty of serious misconduct;
- serious reputational damage to the Company, any Group member or a relevant business unit as a result of the Participant's misconduct or otherwise;
- an error in assessing a Performance Condition applicable to the Award; and
- in the case of recovery before vesting, other relevant circumstances at the discretion of the Committee.

Malus and clawback may be applied to any tax-advantaged option granted under the LTIP to the extent permitted by the applicable tax legislation.

Non-executive Director fees	
Purpose and link to strategy	Non-executive Director fees are set at a level that reflects market conditions and is sufficient to attract individuals with appropriate knowledge and experience.
Operation	Fees are reviewed as required and amended to reflect market positioning and any change in responsibilities. The Remuneration Committee recommends the remuneration of the Chair to the Board. Fees paid to Non-executive Directors are determined and approved by the Board as a whole. The Non-executive Directors do not participate in the annual bonus plan or any of the Group's share incentive plans. Non-executive Directors may be eligible to receive benefits such as the use of secretarial support, travel costs or other benefits that may be appropriate (and may be reimbursed for any tax liability thereon). Fees may be payable in cash or shares.
Opportunity	Fees are set taking into account the level of fees paid to Non-executive Directors serving on boards of similar-sized UK-listed companies and the time commitment and contribution expected for the role. Non-executive Directors receive a basic fee and an additional fee for further duties (for example chairing a Committee or Senior Independent Director responsibilities or holding the position of Non-executive Director responsible for workforce engagement).
Performance metrics	Not applicable.

The Committee reserves the right to make any remuneration payments and payments for loss of office notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed before this Policy came into effect or, at a time when the relevant individual was not a Director of the Company (or other person to whom this Policy applies) and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company (or other such person).

For these purposes the term 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted.

CORPORATE GOVERNANCE REPORT CONTINUED

Remuneration Policy

Explanation of performance metrics chosen

Performance measures are selected to reflect the Group's strategy. Stretching performance targets are set each year for the annual bonus and long-term incentive awards. In setting these performance targets the Committee will take into account a number of different reference points which may include the Group's business plans and strategy and the market environment.

The Committee retains the discretion to adjust or set different performance measures or targets if events occur (such as a change in strategy, a material acquisition and/or a divestment of a Group business or a change in prevailing market conditions) which cause the Committee to determine that the measures are no longer appropriate, and that amendment is required so that they achieve their original purpose.

Discretion

The Remuneration Committee can exercise discretion in a number of areas when operating the Company's incentive schemes, in line with the relevant rules of the schemes and, where relevant, HMRC guidance and the legislation relating to tax-advantaged schemes. These areas include (but are not limited to):

- the choice of participants
- the size of awards in any year (subject to the limits set out in the policy table above)
- the extent of payments or vesting in light of the achievement of the relevant performance conditions
- determination of 'qualifying leavers' and the treatment of outstanding awards (subject to the provisions of the scheme rules and the Remuneration Policy provisions), and
- the treatment of outstanding awards (other than tax-advantaged options on a change of control).

Operation of share plans

The Committee may amend the terms of awards and options under its share plans in accordance with the plan rules in the event of a variation of the Company's share capital or a demerger, special dividend or other similar event or otherwise in accordance with the rules of those plans. Shares awards granted under any such plan may be settled (in whole or in part) in cash where permitted, although the Committee would only do so where the particular circumstances made it appropriate to do so – for example, where there is a regulatory restriction on the delivery of shares.

Illustration of application of Remuneration Policy

The charts on the following page show the relative split of remuneration between fixed pay (base salary, benefits and pension) and variable pay (annual bonus and LTIP) for each Executive Director on the basis of minimum remuneration, remuneration receivable for performance in line with the Company's expectations and maximum remuneration (including and excluding share price appreciation of 50% on the LTIP award).

In illustrating the potential reward, the following assumptions have been made:

- Minimum: Comprises fixed pay only using the salary on 1 October 2022, the benefits value has been assumed to be equivalent to that included in the single figure calculation on page 87 and a 3% company pension contribution.
- On-target: Fixed pay plus a bonus pay-out at 50% of maximum and the FY2022/23 LTIP vesting at 50% of face value.
- Maximum: Comprises fixed pay and assumes full pay-out under the annual bonus and that the FY2022/23 LTIP grant vests in full.
- Maximum performance with share price appreciation of 50%: the maximum scenario assuming 50% share price growth on the LTIP award from the date of grant to vesting.

Remuneration Policy

Recruitment Remuneration Policy

Executive Directors

When setting remuneration packages for new Executive Directors, pay will be set in line with the Remuneration Policy outlined above. In determining appropriate remuneration, the Committee will take into consideration all relevant factors (including the quantum and nature of remuneration) to ensure the arrangements are in the best interests of Marston's and its shareholders.

Salary	Base salary will be set at a level appropriate to the role and experience of the Executive Director being appointed. This may include agreement on future increases up to a market rate, in line with experience and/or responsibilities and subject to good performance, where it is considered appropriate.
Pension and benefits	Pension and benefits will be provided in line with the Policy.
Relocation	Appropriate costs and support will be covered if the recruitment requires relocation of the individual.
Annual bonus	New joiners may receive a pro-rated annual bonus based on their employment as a proportion of the financial year and targets may be different to those set for other Executive Directors subject to a maximum annual bonus opportunity of 125% of base salary.
LTIP	Grants under the LTIP will be made in line with the Remuneration Policy in the year of joining, subject to the maximum award limit of 200% of base salary. For the avoidance of doubt, in the case of an internal promotion, legacy arrangements should be allowed to continue including continuation of the plan the individual is in for the year of joining if required.
Buyout awards	For external appointments, the Committee (if it is considered appropriate) may make an award to 'buy-out' incentive awards that will be forfeited on leaving a previous employer. To the extent possible buy-out awards will be made on a broadly like-for-like basis. In doing so the Committee will take account of relevant factors including the vehicle (i.e. cash or equity), the performance conditions attached to vesting, the vesting schedule and the likelihood of vesting of the forfeited incentives. The Committee would seek to incorporate buy-out awards in line with the Company's remuneration framework as far as is practical. The Committee may consider other components for structuring the buy-out, including cash or share awards, restricted stock awards and share options where there is a commercial rationale for doing so.

CORPORATE GOVERNANCE REPORT CONTINUED

Remuneration Policy

Non-executive Directors

Fees payable to a newly appointed Chair or Non-executive Director will be in line with the fee policy in place at the time of appointment.

Service contracts and policy on payment for loss of office

The Executive Directors have a service contract requiring nine months' notice of termination from either party as shown below.

The current Non-executive Directors, including the Chair, do not have a service contract and their appointments, whilst for a term of three years, may be terminated without compensation at any time. All Non-executive Directors have letters of appointment, and their appointment and subsequent reappointment is subject to annual approval by shareholders.

Name	Commencement date	Unexpired term remaining as at 1 October 2022
Andrew Andrea	3 October 2021	Terminable on nine months' notice.
Hayleigh Lupino	3 October 2021	Terminable on nine months' notice.
Bridget Lea	1 September 2019	Fixed term expiring on 31 August 2025 (subject to renewal) and terminable on one month's notice.
Octavia Morley	1 January 2020	Fixed term expiring on 31 December 2022 (subject to renewal) and terminable on one month's notice.
Mathew Roberts	1 March 2017	Fixed term expiring on 28 February 2023 (subject to renewal) and terminable on one month's notice.
William Rucker	1 October 2018	Fixed term expiring on 30 September 2024 (subject to renewal) and terminable on six months' notice.

The principles on which the determination of payments of loss of office will be approached are summarised below:

Provision	Treatment upon loss of office
Payment in lieu of notice	Payments to Executive Directors upon termination of their contracts will be equal to base salary plus the value of core benefits for the duration of the notional notice period. They will also be entitled to pension contributions for the duration of the notional notice period or the requisite cash allowance equivalent. The Executive Director will normally have a duty to seek alternative employment and any outstanding payments will be subject to offset against earnings from any new role. A de minimis value of £1,000 will apply for reporting purposes.
Annual bonus	'Qualifying leavers' will be eligible to receive an annual bonus at the usual time with performance measured at the usual time. The annual bonus will normally be pro-rated for service during the financial year. Any bonus earned will be paid in cash and shares in line with the current policy. 'Non-qualifying' leavers will not normally be eligible to receive an annual bonus. Shares subject to a holding period will normally be released at the normal time.
LTIP	The treatment of any award under the LTIP would be determined based on the leaver provisions contained within the LTIP rules. Awards are forfeited on cessation of employment except for 'qualifying leavers' (where awards vest subject to performance conditions and are normally scaled back pro rata to the proportion of the performance or vesting period served). Shares subject to a holding period will normally be released at the normal time.
Change of control	There are no enhanced contractual provisions on a change of control. Upon a change of control incentive awards will usually vest and be subject to performance conditions. Pro-rating for time, to reflect the proportion of the performance period that has elapsed will ordinarily apply to LTIP awards. The Committee retains the discretion to waive pro-rating for time. Awards may vest on a similar basis on the occurrence of any other relevant event.
Other payments	Payments may be made in the event of loss of office under the all-employee scheme (which is governed by its respective rules and the applicable tax legislation and does not provide for discretionary treatment). The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment. Any such payments may include but are not limited to payments in respect of accrued holiday pay, outplacement and legal fees and other relevant benefits.

CORPORATE GOVERNANCE REPORT CONTINUED

Annual report on remuneration

This part of the Directors' Remuneration Report sets out how we have implemented our current Remuneration Policy during the period ended 1 October 2022. Sections in the report not specifically stated as audited are not subject to audit.

Executive Directors

Total remuneration payable (audited)

Period ended 1 October 2022	Salary £	Benefits[2] £	Pension[3] £	Other[4] £	Total fixed £	Bonus £	Long-term incentives £	Total variable £	Total £
Andrew Andrea	601,765	17,465	18,360	4,996	**642,586**	84,357	64,971	**149,328**	**791,914**
Hayleigh Lupino	385,310	13,478	11,603	4,996	**415,387**	54,075	7,660	**61,735**	**477,122**

Period ended 2 October 2021	Salary £	Benefits[2] £	Pension £	Total fixed remuneration £	Bonus £	Long-term incentives £	Total variable remuneration £	Total £
Andrew Andrea	392,928	14,719	70,727	478,374	0	0	0	478,374
Ralph Findlay	586,682	19,327	105,603	711,612	0	0	0	711,612

1. Ralph Findlay stepped down from the Board on 2 October 2021. Andrew Andrea was appointed CEO and Hayleigh Lupino was appointed CFO. Both appointments were effective from 3 October 2021.
2. Private medical insurance benefits are unchanged but premiums may vary from year to year. Benefits include a car allowance, private medical insurance and life assurance.
3. Andrew Andrea and Hayleigh Lupino received a pension contribution of 3% of salary.
4. This figure relates to the grant of Sharesave options during the reporting year.

Annual bonus 2021/22

Stretching targets were set at the start of 2021/22. Targets were based on a balanced mix of financial (EBITDA and FCF) and strategic measures (performance vs Peach market tracker, Reputation scores and employee engagement).

During the year, the Remuneration Committee reviewed the operation of the Peach market tracker. Following that review, at the March 2022 meeting, the Committee used its discretion to replace the Peach market tracker with a Group sales measure with equivalently stretching sales targets. As part of a balanced scorecard, Group sales better reflects overall financial performance.

As noted above, having made a strong start to the year, with promising levels of Christmas bookings, the business was heavily impacted by the trading restrictions imposed as a consequence of the Omicron variant in December 2021. It became quickly apparent that the EBITDA and cashflow performance conditions, which had very recently been set, had been rendered unachievable.

Recognising the need to maintain motivation within our pub, operational and support teams, the Committee concluded that it would be in shareholders' interests if the targets for both measures were adjusted to exclude the negative impact of Omicron from the financial targets by removing trading periods 1-4. The Committee also agreed that, in the first full year of our new strategy, it was important to make the equivalent adjustments to the senior management team bonus targets. To balance this use of positive discretion the quantum available under the financial measures applying to 70% of the bonus was reduced by four twelfths. The 30% applying to the strategic measures was unchanged as the targets remained unmodified and were assessed over the full 12 months. As a result, the bonus opportunity for the year was reduced from 100% of salary to 76.66% of salary.

Targets were adjusted in the context of continuing uncertainty and economic challenges, with the aim of incentivising our people to achieve a rapid recovery post Omicron, and remain focused on our strategic measures. The adjustments to the bonus were aligned across the Group and the adjusted target ranges are summarised below:

Performance metric		Weighting	Threshold (20% of maximum)	Target (50% of maximum)	Maximum (100% of maximum)	Actual	% of salary
Group EBITDA	Previous target (applicable for 12 months)	30%	£170.81m	£179.80m	£189.00m	£159.60m	0%
	Target adjusted by the Committee applying for periods 5–12		£122.60m	£129.10m	£135.50m	£112.30m	
Group free cash flow	Previous target (applicable for 12 months)	40%	£60.42m	£63.60m	£66.84m	£55.50m	0%
	Target adjusted by the Committee applying for periods 5–12		£45.30m	£47.70m	£50.10m	£36.40m	
Group sales		10%	£577.90m	£608.30m	£639.30m	£563.10m	0%
Reputation score		10%	575	600	650	731	10%
Employee engagement		10%	7.5	8.0	8.2	7.8	4%
Bonus outturn							14%

CORPORATE GOVERNANCE REPORT CONTINUED

Annual report on remuneration

The annual bonus outcomes for Executive Directors during the year are shown below. As reported in the Annual Statement, on page 72, our business was impacted by economic volatility, rising costs, supply chain challenges and the cost-of-living crisis. Whilst performance did not reach threshold on the financial measures, our people have worked hard to deliver great guest experiences during the year, as shown in our Reputation score, and have remained highly engaged. The Committee is satisfied that no adjustments to the pay-outs are required, and that the outcome is reflective of underlying performance. The bonus is payable in cash.

	Annual bonus outcome	
Executive Director	**% salary (out of reduced maximum 76.66% of salary)**	**Value £**
Andrew Andrea	14%	84,357
Hayleigh Lupino	14%	54,075

LTIP award vesting in respect of performance during 2021/22

The 2019/20 LTIP award was granted in December 2019, prior to the disposal of Marston's Beer Company into the partnership with Carlsberg. As reported in the 2021 Directors' Remuneration Report, performance targets were set at the time with the assumption that the beer company would remain a part of the Group and contribute to the underlying EPS number. The beer company profit in 2019 equated to a 5.1p contribution to the underlying EPS target. The revised targets, ranges and outturn are shown below. NCF and relative TSR targets and ranges were not adjusted.

The performance targets for these awards and the performance to 1 October 2022 are shown below:

Performance metric	Weighting	Threshold 25% vesting	On-target 50% vesting	Maximum 100% vesting	Actual	LTIP vesting
Underlying EPS	40%	7.7p	8.0p	8.6p	4.3p	0% out of 40%
Free cash flow	40%	£100m	£125m	£150m	£194.8m	40% out of 40%
Relative TSR vs FTSE 250 (excluding Investment Trusts)	20%	Median	–	Upper quartile	Below median	0% out of 20%
Total						**40% out of 100% of maximum**

The Committee reviewed the outturn in relation to the NCF targets and was satisfied that the pay-out was justified for the following reasons:

- As a result of the beer company disposal, the Group holds a 40% investment in CMBC i.e., the outcome of the disposal was not purely a substantial cash inflow.
- Considering the safeguards that were discussed at the time of the award, the NCF outturn has not resulted in the underinvestment in our estate, with the capex programme now ensuring that every pub is refreshed at least once every 4 years, with the previous cycle being longer.
- Additionally, the transaction and resulting cash inflow underpinned the financial stability of the Group during the pandemic and ensured we could avoid the potential requirement to raise equity.
- Awards were granted in December 2019, prior to the onset of the global pandemic (i.e., there was no potential for COVID-19 related windfall gains).

Overall, the Committee is comfortable that the level of vesting is in line with underlying performance over the performance period. As such, the awards will vest in December 2022, with the shares subject to a two-year holding period.

The 2019 awards will therefore vest as follows:

Executive Director	Number of shares granted[1]	Number of shares due to vest	Total[2] £
Andrew Andrea	372,124	148,849	64,971
Hayleigh Lupino[3]	43,875	17,550	7,660

1. The share price was £1.294 at the time of grant of the award, compared to the three-month average share price of £0.436 to 1 October 2022. Therefore, none of the value of the award is due to share price appreciation.
2. Value of shares based on a three-month average share price of £0.436 to 1 October 2022. This value will be restated next year based on the actual share price on the date of vesting.
3. Hayleigh Lupino received the 2019 LTIP award in her previous role within the Group.

LTIP awards granted during 2021/22

LTIP awards were granted on 6 December 2021 as APSP awards. The APSP awards comprised three elements: (i) an HMRC Tax Qualifying Option over shares with a total value at the date of grant of £30,000 with an exercise price of £0.6705 per share; (ii) a 'Linked Award' which is, principally, a funding award in the form of a nil-cost option (i.e. in the form of an LTIP award) over such number of shares whose total value at exercise equals £30,000; and (iii) an LTIP award in the form of a nil-cost option over shares to the value of the remainder of the APSP award above the £30,000 limit.

CORPORATE GOVERNANCE REPORT CONTINUED

Annual report on remuneration

The details of the awards granted are as follows:

	Percentage of salary	Number of nil-cost options granted	Number of Tax Qualifying options granted[1]	Face value at grant[2]	% of award vesting at threshold	Performance period	Holding period
Andrew Andrea	125%	1,078,580	44,742	730,946	25%	Financial periods 2021/22–2023/2024	Financial periods 2024/25–2025/26
Hayleigh Lupino	125%	675,336	44,742	468,555	25%		

1. Tax Qualifying option with an exercise price of £0.6705 per share.
2. Calculated using the mid-market share price at date of grant of £0.6705.

The awards will vest subject to the satisfaction of performance metrics set out below:

	Weighting	Threshold 25% vesting	On-target 50% vesting	Maximum 100% vesting
Underlying PBT (in FY 2023/24)	40%	£63.65m	£67.0m	£68.67m
NCF (cumulative over three years)	40%	£125m	£150m	£182m
TSR v FTSE 250 (excluding Investment Trusts)	20%	Median	–	Upper quartile

1. Straight-line vesting applies between threshold, on-target and maximum performance.

All-employee scheme interests granted during the year

During the year, the CEO and CFO received an award under the Company's Sharesave Scheme. The savings contract commenced on 1 September 2022; further details are shown below:

	Number of options granted[1]	Exercise price[2]	Face value at grant[3]	% of award vesting at threshold	Date on which exercisable
Andrew Andrea	40,909	£0.44	£22,316	N/A	1 September 2025
Hayleigh Lupino	40,909	£0.44	£22,316	N/A	1 September 2025

1. The exercise price represents a 20% discount to the value of the shares at close of business on 31 May 2022.
2. The number of shares included in the award was determined based on their expected monthly saving over a 36-month period of £500 per month.
3. Calculated using the share price on 31 May 2022, of £0.5455.

Non-executive Directors

Total remuneration (Chair and Non-executive Directors) (audited)

	Base Fee £	Committee Chair £	SID £	2021/22 Total £	2020/21 Total[1] £
Bridget Lea	55,500			**55,500**	54,000
Octavia Morley	55,500	10,000	10,000	**75,500**	62,750
Matthew Roberts	55,500	10,000		**65,500**	61,500
William Rucker	206,000			**206,000**	200,000
Nick Varney	13,875			**13,875**	–

1. The maximum authority for Non-executive Directors' fees (in aggregate), as outlined in our Articles of Association, is £750,000 a year, as approved by shareholders at our 2017 AGM.

Interests in ordinary shares (audited)

The beneficial interests of the Non-executive Directors and their connected persons in the share capital of the Company are shown below:

	As at 01.10.22	As at 02.10.21
Bridget Lea	**50,000**	50,000
Octavia Morley	**25,000**	25,000
Matthew Roberts	**25,000**	25,000
William Rucker	**400,000**	200,000
Nick Varney	**227,902**	–

CORPORATE GOVERNANCE REPORT CONTINUED

Annual report on remuneration

Payment for loss of office (audited)

No payments were made for loss of office.

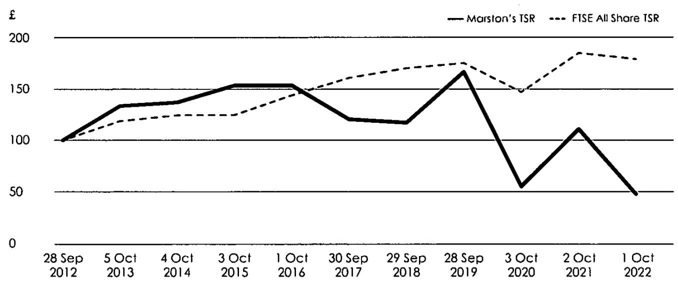
Payments to past Directors (audited)

No payments were made to past Directors other than as disclosed in the 2020/21 annual report in relation to Ralph Findlay's continuing private medical insurance.

Total shareholder return chart and CEO remuneration history

This graph shows the value, at 1 October 2022, of £100 invested in the Company on 29 September 2012 compared to the value of £100 invested in the FTSE All Share Index. The FTSE All Share Index has been selected as a comparator because the Company is a member of that index.

The intermediate points show the value at the intervening financial period ends.



The total remuneration of the CEO over the past ten financial periods is shown below. The annual bonus pay-out and LTIP vesting level as a percentage of the maximum opportunity is also shown.

	Name	Total remuneration £	Annual bonus (% of maximum)	LTIP vesting (% of maximum)
2021/22	Andrew Andrea[1]	791,914	14%	40%
2020/21	Ralph Findlay[1]	711,612	0%	0%
2019/20	Ralph Findlay	592,423	0%	0%
2018/19	Ralph Findlay	722,432	0%	0%[2]
2017/18	Ralph Findlay	807,665	17.7%	0%
2016/17	Ralph Findlay	803,303	20%	0%
2015/16	Ralph Findlay	1,008,320	40%	21%
2014/15	Ralph Findlay	876,788	40%	0%
2013/14	Ralph Findlay	1,121,294	25%	41.9%
2012/13	Ralph Findlay	937,312	0%	44.2%

1. Ralph Findlay stepped down from the Board and retired from the Group as CEO on 2 October 2021. Andrew Andrea was appointed CEO from 3 October 2021.
2. The performance conditions were achieved at a level such that 11.2% of the 2016/17 LTIP would have vested. However, the Executive Directors waived their rights to this award.

CORPORATE GOVERNANCE REPORT CONTINUED

Annual report on remuneration

Change in remuneration of Directors' and employee pay

The table below shows the percentage change in the Directors' salary, benefits and annual bonus over the last three financial years. This is then compared to the wider workforce. It was agreed that all employees of the Group should be included in the comparison. Marston's PLC does not have any direct employees, as all employees within the Group are employed by a wholly owned subsidiary company, Marston's Trading Limited.

		Wider workforce	Andrew Andrea	Hayleigh Lupino	William Rucker	Bridget Lea	Octavia Morley	Matthew Roberts	Nick Varney
Salary/ fees[1]	**2021/22 and 2020/21**	11.1%	53%[4]	N/A	3%	2.7%	8.7%	6.5%	N/A
	2020/21 and 2019/20	2.9%	2%	N/A	0%	0%	0%	0%	N/A
	2019/20 and 2018/19	6.4%	2%	N/A	0%	N/A	N/A	0%	N/A
Taxable benefits	**2021/22 and 2020/21**	See note 5	18.7%	N/A	–	–	–	–	–
	2020/21 and 2019/20	See note 5	5.8%[6]	N/A	–	–	–	–	–
	2019/20 and 2018/19	See note 5	(6.3%)	N/A	–	–	–	–	–
Annual bonus[7]	**2021/22 and 2020/21**	See note 7	100%	N/A	–	–	–	–	–
	2020/21 and 2019/20	See note 7	0%	N/A	–	–	–	–	–
	2019/20 and 2018/19	See note 7	0%	N/A	–	–	–	–	–

Notes:
1. Salary/fee reviews for the Executive Directors, Non-executive Directors, and salaried workforce are effective 1 October. However, whilst Marston's accounting reference date is 30 September, the Group reports on a 52 week basis and, therefore, the period end date changes from year to year. The year-on-year comparisons in the table above are based on the salaries/fees applying with effect from 1 October. Average employee change to salary is calculated by reference to the mean of employee pay. The majority of pub-based employees have their remuneration set by statute rather than the market.
2. Where the incumbent did not serve for the full year, the calculation has not been made as it is unrepresentative. Hayleigh Lupino was appointed CFO effective from 3 October 2021. Nick Varney was appointed Non-Executive Director to the Board with effect from 1 July 2022.
3. Ralph Findlay stepped down from the Board and retired from the Group as CEO on 2 October 2021, as a result he has been removed from the table above. See the 2021 Annual Report for details on changes in Ralph's remuneration when he was a Director.
4. Andrew Andrea's percentage increase from 2020/21 to 2021/22 reflects his appointment as CEO (having previously been CFO) and the responsibilities, and associated level of benefits, that accompany that position.
5. No changes to benefit policy. Premiums for private medical insurance may vary from year to year. Eligibility to receive the individual benefits under the policy may be determined by an employee's role or length of service, where applicable.
6. During the 2019/20 period, during the first national lockdown, those employees who continued to work were asked to accept a 20% voluntary reduction in their salary during the period from April to July 2020, with normal salaries paid from August 2020. The car allowance element of the benefits policy was subject to the 20% voluntary reduction during the same period. The increase in the Executive Directors' benefits from 2019/20 to 2020/21 therefore reflects the ending of this reduction.
7. No bonuses were payable in respect of 2020/21, or the prior period, based on Group performance, therefore a comparison with bonuses earned in respect of 2021/22 is not meaningful. Bonuses and other discretionary payments were earned by a number of employees, within the wider workforce, during the prior period, details of which are set out on pages 59 to 60 of the 2020 Annual Report and Accounts.

CORPORATE GOVERNANCE REPORT CONTINUED

Annual report on remuneration

CEO pay ratio

The tables below show how the CEO's single total figure of remuneration compares with the equivalent figures for UK employees whose remuneration was ranked at the 25th percentile, 50th percentile, and 75th percentile.

Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2021/22	Option B	46:1	45:1	40:1
2020/21	Option B	47:1	44:1	43:1
2019/20 (based on contractual salary and benefits)	Option B	48:1	45:1	41:1
2019/20 (reflecting voluntary reduction in salary and benefits)	Option B	40:1	37:1	34:1

Note:
Andrew Andrea was appointed CEO from 3 October 2021. As a result, the 2021/22 pay ratio is assessed against Andrew Andrea's total remuneration. Prior years are assessed against Ralph Findlay's total remuneration who stepped down from the Board 2 October 2021.

Component	CEO £	25th percentile £	50th percentile £	75th percentile £
Base salary	601,765	17,108	17,472	19,601
Total remuneration	791,914	17,108	17,472	19,601

We have chosen Option B which uses the hourly rate data from the most recent Gender Pay Gap reporting. This represents the most efficient and robust method to determine the respective pay ratios. To ensure year-on-year methodology and reporting is consistent, we have removed any variances in the total remuneration package for employees sitting at each of the percentiles as, for example, not all employees contribute to a pension scheme or receive a bonus. In order to determine the full-time equivalent salary component for the representative employees, the hourly rate was multiplied by 35 hours to calculate the full-time equivalent salary. The calculations for the relevant representative employees were performed as at 5 April 2022. Sensitivity analysis was performed around the 25th, median and 75th percentile employees to ensure that they were reasonably representative.

Two sets of pay ratios are included in the table above for 2019/20, reflecting Ralph Findlay's voluntary reduction in salary and benefits during the period from April to July 2020 and his contractual salary and benefits for 2019/20. There has not been a significant change to the CEO pay ratio over the last three years (when compared to the contractual salary and benefits).

A substantial proportion of the CEO's total remuneration is performance-related and delivered in shares. The ratios will depend significantly on the CEO's annual bonus and long-term incentive outcomes and may fluctuate year-on-year. The Company considers the median pay ratio is consistent with the Group's wider policies on employee pay, reward and progression.

Relative importance of spend on pay
The table below demonstrates the relative importance of the Group's expenditure on total employee pay compared to dividend payments to shareholders.

	2021/22	2020/21	% change
Dividend payments[1]	**£0m**	£0m	–
Total employee pay[2]	**£214.0m**	£186.7m	14.6%[3]

1. No distributions by way of share buybacks were made to shareholders during the 2021/22 or 2020/21 financial years.
2. Excluding non-underlying items.
3. The increase in total employee pay is predominately due to the increase in the NMW during the year, and the additional uplifts applied to the NMW rates for all age groups by the Company.

External appointments for Executive Directors

Executive Directors are permitted to take up external appointments, subject to approval by the Board, and are allowed to retain any fees received.

Directors' share interests (audited)
Each Executive Director is required to build and retain a shareholding with a value equal to two times salary. To achieve these holdings under the current policy, Directors are required to retain any vested shares from the LTIP, net of tax, until the guidelines are satisfied. Under the proposed policy, Executive Directors will be required to retain 50% of the net of tax shares they receive under the annual bonus and LTIP. Shares subject to vested LTIP awards which are in a holding period count towards this guideline (on a net of assumed tax basis) and deferred bonus shares also count towards the shareholding guideline.

As at 1 October 2022, Andrew Andrea held shares worth 84% of base salary and Hayleigh Lupino held 18% of base salary in shares.

CORPORATE GOVERNANCE REPORT CONTINUED

Annual report on remuneration

Executive Directors' share interests as at 1 October 2022

	Shares owned outright		Share options[2]		Shareholding requirement (% of salary)	Actual % of salary holding
	At 01.10.22	At 02.10.21	Not subject to performance	Subject to performance		
Andrew Andrea	**390,773**	352,773	40,909	2,005,741	200%	84%
Hayleigh Lupino	**104,629**	–	71,038	869,406	200%	18%

1. The table above includes the holdings of persons connected with each of the Directors.
2. All scheme interests are structured as nil-cost or tax-advantaged options.
3. Of the 71,038 share options, 40,909 are Sharesave options.

In assessing the extent to which the guidelines are satisfied, shares are valued at the end of the relevant financial year. Once the required holding has been achieved, any change in the share price is disregarded when assessing the value attributed to shares already held.

Executive Directors' interests in share options as at 1 October 2022

		Grant date[1]	Brought forward 02.10.21	Granted	Exercised/ vested	Cancelled/ lapsed	Carried forward 01.10.22	Exercise price £	Vesting date	Release date
Andrew Andrea	LTIP	2018[2]	473,033	–	–	473,033	**0**	N/A	2021	N/A
		2019[3]	372,124	–	–	–	**372,124**	Nil	2022	2024
		May 2021[4]	510,295		–	–	**510,295**	Nil	2024	2025
		Dec 2021	–	1,078,580	–	–	**1,078,580**	Nil	2024	2026
			–	44,742	–	–	**44,742**	£0.6507	2024	2026
	Sharesave	June 2022	–	40,909	–	–	**40,909**	£0.44	2025	N/A

		Grant date[1]	Brought forward 02.10.21	Granted	Exercised/ vested	Cancelled/ lapsed	Carried forward 01.10.22	Exercise price £	Vesting date	Release date
Hayleigh Lupino	LTIP	2018[2]	52,124	–	–	52,124	**0**	N/A	2021	N/A
		2019[3]	43,875	–	–	–	**43,875**	Nil	2022	2024
		May 2021[4]	75,324	–	–	–	**75,324**	Nil	2024	2025
		Dec 2021	–	675,336	–	–	**675,336**	Nil	2024	2026
			–	44,742	–	–	**44,742**	£0.6507	2024	2026
	Sharesave	June 2022	–	40,909	–	–	**40,909**	£0.44	2025	N/A
	Deferred bonus	May 2021	30,129	–	–	–	**30,129**	Nil	2024	N/A

1. Awards granted annually in December, unless otherwise stated.
2. The performance conditions applying to the 2018/19 LTIP are set out on page 67 of the 2019 Directors' Remuneration Report.
3. The performance conditions applying to the 2019/20 LTIP are set out on page 67 of the 2020 Directors' Remuneration Report.
4. The performance conditions applying to the 2020/21 LTIP are set out on page 67 of the 2021 Directors' Remuneration Report.
5. The performance conditions applying to the 2021/22 LTIP are set out on page 67 of the 2021 Directors' Remuneration Report.
6. The exact release date will be confirmed when the date of the relevant preliminary results announcement is known and the associated closed period ends.

There have been no changes to the Directors' share interests and interests in share options between 1 October 2022 and 5 December 2022 (being the latest practical date prior to the date of this report).

Implementation of the Policy in 2022/23

The section below sets out the implementation of the Remuneration Policy in 2022/23 which has been set in line with the Remuneration Policy to be put to shareholders at the 2023 AGM.

Base salary

During the year, the Committee reviewed the salary increases for the wider salaried workforce taking into account high inflation and the cost of living and also the need to control our cost base. As a result of the review, the majority of the wider salaried workforce received an increase of 4% of salary. In addition, most salaried employees were eligible to receive a one-off payment of up to £750 to help with the sharp increase to the cost of living and energy costs. Therefore, with an increase of 4% applied to the majority of the salaried workforce, plus the additional payments, the Committee was comfortable with a lower increase of 3% for Executive Directors.

CORPORATE GOVERNANCE REPORT CONTINUED

Annual report on remuneration

Name	Base salary 2021/22 £	Base salary 2022/23 £
Andrew Andrea	602,550	**620,626**
Hayleigh Lupino	386,250	**397,838**

Note:
The majority of the wider workforce (pub-based employees) have their remuneration set by statute rather than the market.

Annual bonus

The annual bonus opportunity for Executive Directors will be 100% of salary, in line with the previous year. Performance measures remain unchanged and are aligned to our strategic objective and core pub and corporate goals.

Strategic pillar	Performance measure	% Weighting for 2022/23
We will grow	Group EBITDA	30%
	Free cash flow	20%
	Group sales	20%
We are guest obsessed	Reputation score	15%
We raise the bar	Employee engagement	15%

The Directors consider that the annual bonus targets for 2022/23 financial year are commercially sensitive. The Committee will continue to disclose how the bonus pay-out delivered relates to performance against the targets in next year's report.

One third of any bonus paid will be deferred into shares which must be held for three years.

LTIP

For the next policy period, recognising that stretch targets would be set in line with the longer-term strategy to 2025 and beyond, we had intended to increase the grant level from 125% to 150% for the CEO combined with challenging and stretching performance targets to drive top-end performance.

However, should the current weakness in the share price, at the time of writing, persist, we have decided that, for the FY 2022/23 award, we will reduce the grant level for the CEO from 150% back to 125% of salary, with the same proportionate scale back for the CFO, whose grant level would reduce from 125% to 104% of salary, unless there is a material uplift in the share price between now and the grant date in December 2022.

The extent to which the LTIP awards will vest will be determined by the performance measures listed below.

	Weighting	Threshold 25% vesting	Maximum 100% vesting
Underlying Profit Before Tax in FY 2024/25	30%	£72.0m	£87.0m
Net Cash Flow (three-year aggregate)	30%	£130.0m	£164.0m
Return on Capital Employed (three-year average)	20%	6.5%	7.3%
Relative Total Shareholder Return vs FTSE250 (excl. Investment Trusts)	20%	Median	Upper quartile

ROCE has been introduced as a performance measure and will drive value for shareholders. ROCE, alongside the other measures previously included, will provide a rounded assessment of our overall profitability and shareholder return.

The Committee is comfortable that these targets provide an appropriate level of stretch and represent a strong link between pay and performance.

Non-executive Director remuneration

A 3% increase will be applied to the base fee, and additional fees, for Non-executive Directors and the Chair's fee. The fees that will apply from 1 October 2022 are set out below.

	2022/23	2021/22
Chair's fee	**£212,180**	£206,000
Non-executive Director basic fee	**£57,165**	£55,500
Additional fee for:		
Chairing the Audit Committee	**£10,300**	£10,000
Chairing the Remuneration Committee	**£10,300**	£10,000
Senior Independent Director	**£10,300**	£10,000

Approval

This Remuneration Report was approved by the Board of Directors on 7 December 2022 and signed on its behalf by the Remuneration Committee Chair:

OCTAVIA MORLEY
CHAIR OF THE REMUNERATION COMMITTEE
7 December 2022

CORPORATE GOVERNANCE REPORT CONTINUED

Directors' report

This section contains additional information which the Directors are required by law and regulation to include within the Annual Report and Accounts. This section, along with the information from the Chair's Statement on page 3, to the Statement of Directors' Responsibilities on page 98, constitutes the Directors' Report in accordance with the Companies Act 2006.

Strategic Report

The Company is required by the Companies Act to include a Strategic Report in this document. The information that fulfils the requirements of the Strategic Report can be found on pages 1 to 55, which is incorporated in this report by reference.

Corporate Governance Statement

The Corporate Governance Statement, as required by the Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTR) 7.2.1, is set out on page 57 and is incorporated into this report by reference.

Dividends

The Board confirms that given the disruption to trading in 2021 and the road to recovery from COVID-19 in the current financial year, and the current uncertainty, there is no intention to pay dividends in respect of financial year 2021/22. The Board is cognisant of the importance of dividends to shareholders and intends to keep potential future dividends under review.

Directors

Biographies of the Directors currently serving on the Board are set out on pages 58 and 59. Changes to the Board during the period are set out in the Corporate Governance Report starting on page 56. Details of Directors' service contracts are set out in the Directors' Remuneration Report on page 86 and their shareholdings are set out on page 93.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act 2006 and related legislation. The Articles may be amended by special resolution of the shareholders. In accordance with the requirements of the UK Corporate Governance Code, all Directors will offer themselves for election or re-election at the AGM on 24 January 2023.

Directors' shareholdings

The interests of Directors and their connected persons in the shares of the Company are set out on pages 89 to 93 of the Directors' Remuneration Report.

Directors' indemnities and insurance

The Company maintains Directors' and Officers' Liability Insurance in respect of legal action that might be brought against its Directors and Officers. In accordance with the Company's Articles of Association and to the extent permitted by law, the Company has indemnified each of its Directors and other Officers of the Group against certain liabilities that may be incurred as a result of their position within the Group. These indemnities were in place for the whole of the period ended 1 October 2022 and as at the date of the report. There are no indemnities in place for the benefit of the external Auditor.

Directors' powers

Under the Articles of Association, the Directors have authority to allot ordinary shares subject to the aggregate set at the 2022 Annual General Meeting (AGM). The Company was also given authority at its 2022 AGM to make market purchases of ordinary shares up to a maximum number of 63,414,851 shares. Similar authority will again be sought from shareholders at the 2023 AGM. The powers of the Directors are further described in the Corporate Governance Report on pages 56 to 98.

Share capital and shareholder voting rights

Details of the Company's issued share capital and of the movements during the period are shown in note 28 in the financial statements on page 150. The Company has one class of ordinary shares and one class of preference shares. On a poll vote, ordinary and preference shareholders have one vote for every 25 pence of nominal value of ordinary and preference share capital held in relation to all circumstances at general meetings of the Company. The issued nominal value of the ordinary shares and preference shares is 100% of the total issued nominal value of all share capital.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 5 to the financial statements on page 128. Where shares are held on behalf of the Company's share schemes, the trustees have waived their right to vote and to dividends.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

CORPORATE GOVERNANCE REPORT CONTINUED

Directors' report

Significant shareholders

Notifications of the following voting interests in the Company's ordinary share capital have been received by the Company (in accordance with Chapter 5 of the DTR). The information shown below was correct at the time of disclosure. However, the date received may not have been within the current financial reporting period and the percentages shown (as provided at the time of disclosure) have not been recalculated based on the issued share capital at the period end. It should also be noted that these holdings may have changed since the Company was notified, however, notification of any change is not required until the next notifiable threshold is crossed.

Shareholder	As at 1 October 2022 Voting rights	% of voting rights	Nature of interest
HSBC Holdings plc	11,563,270	6.17	Indirect
Aberforth Partners LLP	9,859,977	5.27	Indirect
Sand Grove Capital Management	9,364,287	5.01	N/A
Dimensional Fund Advisors LLP	9,339,455	4.98	Indirect
ClearBridge Investments Limited	9,307,805	4.98	Indirect
The Capital Group Companies, Inc	9,291,379	4.96	Indirect
Standard Life Aberdeen plc	9,228,860	4.93	Indirect
Brewin Dolphin	8,392,338	4.93	Indirect
Coltrane Asset Management	7,612,219	4.06	N/A
Royal London Asset Management Limited	6,794,023	3.99	Direct

Subsequent to the year end, between 1 October 2022 and 5 December 2022 (being the latest practical date prior to the date of this report), the following have disclosed information in accordance with DTR5.

Shareholder	Voting rights	% of voting rights	Date of notification
HSBC Holdings plc	9,539,383	5.099	16 November 2022
Bayberry Capital Partners LP	9,410,500	5.03	24 November 2022
Morgan Stanley	9,381,749	5.00	29 November 2022

Preference shares

The Company also discloses the following information, obtained from the Register of Members, for the preference shares:

Shareholder	Number of Shares	% of Issued Share Capital
Fiske Nominees Limited	31,548	42.06
Mrs Heather Mabel Medlock	10,407	13.88
George Mary Allison Limited	5,500	7.33
Rulegale Nominees Limited	4,550	6.07
Mr Nathanael Peter Knowles	4,356	5.81
Mr Neil Aston and Mr Thomas Alexander Southall	2,855	3.81
Cgwl Nominees Limited	2,805	3.74
Mrs Helen Michels	2,750	3.67
Mr Richard Somerville	2,750	3.67

Change of control

There are a number of agreements that take effect after, or terminate upon, a change of control of the Company, such as commercial contracts, bank loan agreements, property lease arrangements and employee share plans. None of these are considered to be significant in terms of their likely impact on the business as a whole. Furthermore, the Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Employee information

The average number of employees within the Group is shown in note 5 to the financial statements on page 128.

Marston's is a responsible employer committed to building a diverse culture where our teams and guests feel welcome, supported and included for who they are. We aim to ensure this commitment is reflected in how we attract talent, how we nurture and develop people internally, and how we ensure our guests have the best experience. We do not discriminate in any way, ensuring that training, career development and promotion opportunities are available to all employees irrespective of gender, race, age or disability.

We are committed to keeping employees up to date on business performance and our strategy, helping them to understand the part they can play in building a successful business.

CORPORATE GOVERNANCE REPORT CONTINUED

Directors' report

This ensures our people are both engaged and enabled, having both the desire and the ability to make a difference. We do this in a variety of ways through centralised communications, as well as leader and manager-led engagement.

Human rights

Marston's is committed to respecting and upholding human rights, as expressed in the United Nations Universal Declaration of Human Rights, within our business and also within our supply chain. Our behaviours are aligned with our belief of, and commitment to, the Declaration of Human Rights. Our Human Rights Policy is available at **www.marstonspubs.co.uk/responsibility**

Modern Slavery Statement

Our Modern Slavery Act disclosure is available on our website **www.marstonspubs.co.uk/responsibility** and more details can be found on page 40.

Research and development

Our Director of Insights and his team regularly undertake internal research and analysis such as guest satisfaction surveys and panelling, together with working with third-party independent data providers with expertise in retail and hospitality, including UK Hospitality, CGA, and Reputation.

Greenhouse gas emissions, energy consumption and energy efficient action

One of our key priorities is to reduce our environmental impact. We recognise the importance of this to the long-term profitability of the business and operating a high quality estate. Many of the environmental initiatives we adopt reduce our environmental impact as well as saving expenditure on energy and utilities. More details on how we are reducing our environmental impact can be found on pages 26 and 31 in our Strategic Report.

Political donations

Our policy is not to make any donations for political purposes in the UK or to donate to EU political parties or incur EU political expenditure.

Financial instruments

The disclosures required in relation to the use of financial instruments by the Group, together with details of our treasury policy and management are set out in note 25 to the financial statements on pages 143 to 149.

Auditor

KPMG LLP have indicated their willingness to continue as the external Auditor and their reappointment has been approved by the Audit Committee. Resolutions to reappoint them and to authorise the Audit Committee to determine their remuneration will be proposed at the 2023 AGM.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Group is described on pages 17 to 19. Further details are set out in the financial statements on pages 108 to 166. In addition, note 25 to the financial statements on pages 143 to 149 includes the Group's objectives, policies and processes for managing its exposures to interest rate risk, foreign currency risk, counterparty risk, credit risk and liquidity risk. Details of the Group's financial instruments and hedging activities are also provided in note 25.

The financial statements set out on pages 108 to 154 and 155 to 166 have been prepared on the going concern basis.

Accordingly, whilst both the base case and severe but plausible downside case indicate that there is adequate headroom forecast throughout the period under review, the forecasts indicate that the Debt Cover and Interest Cover bank and private placement covenants are forecast to be breached at 31 December 2022 and the Directors have therefore concluded that a material uncertainty over going concern exists. Further information and guidance on covenant amendments is set out on page 71.

Annual General Meeting (AGM)

The AGM of the Company will be held on 24 January 2023 at The Farmhouse at Mackworth, 60 Ashbourne Road, Derby DE22 4LY. Shareholders are encouraged to submit their proxy voting instructions and any questions in advance of the meeting. Further details can be found in the notice convening the meeting. The notice, together with details of the special business to be considered and explanatory notes for each resolution, is distributed separately to shareholders. It is also available on the shareholder section of our website at **www.marstonspubs.co.uk/investors** where a copy can be viewed and downloaded.

By order of the Board

BETHAN RAYBOULD
GENERAL COUNSEL & COMPANY SECRETARY
7 December 2022

Company registration number: 31461

CORPORATE GOVERNANCE REPORT CONTINUED

Statement of Directors' responsibilities
in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report/Directors' Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Disclosure of information to Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

ANDREW ANDREA
CHIEF EXECUTIVE OFFICER
7 December 2022

HAYLEIGH LUPINO
CHIEF FINANCIAL OFFICER

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARSTON'S PLC

1. OUR OPINION IS UNMODIFIED

We have audited the financial statements of Marston's PLC ('the Company') for the 52 week period ended 1 October 2022 which comprise the Group Income Statement, Group Statement of Comprehensive Income, Group Cash Flow Statement, Group Balance Sheet, Group Statement of Changes in Equity, Company Balance Sheet, Company Statement of Changes in Equity, and the related notes, including the accounting policies in note 1 to both the Group and parent Company financial statements.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 1 October 2021 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the shareholders on 24 January 2020. The period of total uninterrupted engagement is for the three financial periods ended 1 October 2022. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole		£12.3million (2021: £9.0million) 0.5% (2021: 0.4%) of total assets
Coverage		100% (2021:100%) of Group total assets
Key audit matters		vs 2021
Recurring risks	Going Concern	◄►
	Valuation of the estate	◄►
	New: Impairment of CMBC associate	▲

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARSTON'S PLC CONTINUED

2. MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

	The risk	Our response
Going Concern We draw attention to note 1 to the financial statements which indicates that the Group's and the parent Company's ability to continue as a going concern is dependent on the ability to achieve further covenant waivers or amendments if required. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the Group's and the parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.	**Disclosure quality** There is judgement involved in the Directors' conclusion that risks and circumstances described in note 1 to the financial statements represent a material uncertainty over the ability of the Group and the parent Company to continue as a going concern for a period of at least a year from the date of approval of the financial statements. Clear and full disclosure of the facts and the Directors' rationale for the use of the going concern basis of preparation, including that there is a related material uncertainty, is a key financial statement disclosure and so was the focus of our audit in this area. Auditing standards require that to be reported as a key audit matter.	Our procedures included: • **Funding Assessment:** We inspected correspondence with Credit Providers and board minutes during the period and after period-end to the date of authorisation of the Annual Report to identify any indications that Credit Providers may not continue to support the Company through covenant amendments. We noted that the directors had not identified a technical default in their initial going concern assessment, therefore had not taken into account a risk in relation to this respect and we requested that the directors include additional risks in their assessment. However as noted in Note 35, retrospective waivers have been secured. The Group also obtained prospective waivers from its private placement. • **Historical comparison:** We compared forecast results for future periods with the actual experience of previous periods to assess the Group's ability to accurately forecast; • **Key dependency assessment:** We evaluated the Group's covenant and cash flow projections and their underlying assumptions by reference to our knowledge of the business, the Credit Agreements and available facilities to the Group; • **Sensitivity analysis:** We considered whether the Group would have sufficient cash headroom in the forecast period in a severe but plausible downside scenario that reflected the plausible impact of high inflation on the business; • **Our experience:** To assess the likelihood that the Credit Providers will not agree covenant amendments we used our knowledge of similar covenant amendments and waivers agreed between the Group and Credit Providers in previous periods; • **Benchmarking assumptions:** We evaluated whether there is adequate support for the assumptions underlying the Directors' assessment, including mitigations, whether they are realistic and achievable and consistent with the external and/or internal environment and other matters identified in the audit. • **Evaluating directors' intent:** We evaluated the cashflow forecasts to assess the controllable mitigations available to the Group such as deferring capital expenditure to improve cash headroom if required in a severe but plausible downside scenario. **Our results** We found the disclosure of the material uncertainty to be acceptable (2021: acceptable).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARSTON'S PLC CONTINUED

3. OTHER KEY AUDIT MATTERS: INCLUDING OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. Going concern is a significant key audit matter and is described in section 2 of our report. We summarize below the other key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Valuation of effective freehold land and buildings (Group - £1,682.4 million; 2021: £1,529.9 million Upwards revaluation: £75.1 million; 2021: downwards £100.5 million) (Parent company - £192.7; 2021: £172.0 million Upwards Revaluation: £19.6 million; 2021: Downwards Revaluation £23.2 million) Refer to page 71 Audit Committee Report, page 127 accounting policy and page 136 financial disclosures.	**Subjective Valuation** The valuation of the Group's and the parent Company's estate, specifically the freehold land and buildings and 'effective freehold' leasehold properties held at fair value is a key area of estimation. The valuation involves the determination of estimates, most noticeably the fair maintainable trade (FMT) and applicable trading multiples. These estimations are inherently subjective and small changes in the assumptions used to value the Group's and the parent Company's estate could have a significant effect on the strength of the Group's and parent Company's balance sheet. The effect of these matters is that, as part of our risk assessment, we determined that valuation of the estate has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 11) disclose the range estimated by the Group.	Our procedures included: • **Assessing valuation approach:** We met with the Group's external valuers to understand the assumptions and methodologies used in valuing the properties and the market evidence used by the external valuers to support their assumptions. We also obtained an understanding of Directors' involvement in the valuation process to assess whether appropriate oversight has occurred; • **Assessing valuer's credentials:** We critically assessed the independence, professional qualifications, competence and experience of the external valuers engaged by the Group; • **Benchmarking assumptions:** We challenged the key assumptions, with the assistance of our own KPMG valuation specialists, being the applicable trading multiples and fair maintainable trade, by making a comparison to market comparable data; • **Assessing inputs:** We checked observable inputs used for a sample of assets in the valuation to source documentation; • **Comparing valuations:** We evaluated and challenged the output of the valuations by checking that the key factors driving the valuation, being size, location, tenure and historical trading, had influenced the pub-by- pub valuations, and through the identification of higher risk assets through comparison to market transactions and prior period information; and • **Assessing transparency:** We critically assessed the adequacy of the Group's disclosures in relation to the valuation of the estate. **Our results** • We found the valuation of the estate to be acceptable (2021: acceptable).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARSTON'S PLC CONTINUED

3. OTHER KEY AUDIT MATTERS: INCLUDING OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT CONTINUED

	The risk	Our response
Valuation of CMBC Investment (£260.3 million; 2021: £277.4 million) Refer to page 71 Audit Committee Report, page 122 accounting policy and page 138 financial disclosures.	**Forecast-based assessment** The Group and Parent company hold an investment in associate named Carlsberg Marston's Brewing Company ('CMBC'). The investment is significant and at risk of impairment due to the cost of living crisis and high inflation impacting the brewing sector. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cashflows. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of investment in CMBC has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. In conducting our final audit work, we concluded that reasonably possible changes to the value in use of the investment in CMBC would not be expected to result in material impairment.	Our procedures included: • **Assessing component audit:** We assessed the work performed by the associate audit team on the in scope component and considered the results of that work on the associate's investment value; • **Historical comparisons:** We evaluated the historical accuracy of management's forecasting against actual results in the period. • **Our sector experience:** We compared management's discount rate with our own calculation of the discount rate based on our valuations experience and knowledge of the sector. • **Sensitivity analysis:** We evaluated the appropriateness and likelihood of management's sensitivities and their impact of the overall impairment test outcome and performed our own additional sensitivity analysis. • **Assessing transparency:** We critically assessed the adequacy of the Group's disclosures in relation to the valuation of the investment in associate. **Our results** • We found the valuation of the investment to be acceptable.

In the prior period we reported a key audit matter in respect of the valuation of financial instruments. While the Group continues to use interest rate swaps to manage exposure to interest rate risk and the valuation of these instruments requires estimation, we have not identified material misstatements to the valuation in the last two periods and consider the valuation to be of lesser importance to the users of the financial statements since the swaps do not expire for over a decade. As a result we have not identified this as a key audit matter in our report for this period.

In the prior period we also reported a key audit matter in respect of the accounting for the disposal of the brewing business. This was a one- off event in the prior period and therefore it is not identified as a key audit matter in our report this period.

We performed the detailed tests above for each key audit matter rather than seeking to rely on any of the Group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARSTON'S PLC CONTINUED

4. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the Group financial statements as a whole was set at £12.3 million (2021: £9.0 million), determined with reference to a benchmark of Group total assets (of which it represents 0.5% (2021: 0.4%).

In addition, we applied materiality of £3.5 million (2021: £3.3 million), to specific Group income statement items which may be of specific interest to users and that could reasonably be expected to influence the Company's members' assessment of the financial performance of the Group. These items comprise revenue and underlying operating costs. Materiality for these items was determined with reference to revenue, normalised by averaging over the last four periods due to volatility in the results as a consequence of COVID-19.

We consider total assets to be the most appropriate benchmark given the majority of total asset value is in the pub estate and these assets act as security for the group's securitised borrowings and will therefore be a focus of users of the accounts.

Materiality for the Parent Company financial statements as a whole was set at £9.0 million (2021: £8.0 million), determined with reference to a benchmark of parent Company total assets, of which it represents 0.7% (2021: 0.6%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality was set at 75% (2021: 75%) of materiality for the financial statements as a whole, which equates to £9.1 million (2021: £6.8 million) for the Group and £6.8 million (2021: £6.0 million) for the parent Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.6 million (2021: £0.5 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

We subjected the Group's only associate to a full scope audit as we determined it was financially significant. Materiality was set at £5.5 million (2021: £5.6 million) based on its relative size adjusting for Marston's 40% share in the business.

The Group team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality and performance materiality level set out above.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARSTON'S PLC CONTINUED

5. GOING CONCERN BASIS OF PREPARATION

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic for at least a year from the date of approval of the financial statements ('the going concern period'). As stated in section 2 of our report, they have also concluded that there is a material uncertainty related to going concern.

An explanation of how we evaluated management's assessment of going concern is set out in section 2 of our report.

Our conclusions based on this work:

- We consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have nothing material to add or draw attention to in relation to the Directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting, and their identification therein of a material uncertainty over the Group and Company's ability to continue to use that basis for the going concern period; and
- The related statement under the Listing Rules set out on page 99 is materially consistent with the financial statements and our audit knowledge.

6. FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ('fraud risks') we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors, the Audit Committee, internal audit and inspection of policy documentation as to the Group's/Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's/Company's channel for 'whistleblowing', as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board, Audit Committee and remuneration committee minutes.
- Considering remuneration incentive schemes and performance targets.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Considering the existence of any significant unusual transactions.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of the estate, valuation of derivatives and pension assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because Group revenue is generated mainly from retail through the operation of pubs. Retail revenue contains no significant judgements, and is comprised of a large number of small, simple transactions that are received in cash or credit card receivables at the point of sale. Therefore, there is limited opportunity for management manipulation or to fraudulently post the volume of transactions that would be required to have a material impact on revenue.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness and the design of some of the Group-wide fraud risk management controls. Refer to page 72 of the Audit Committee report.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included journal entries made to unusual accounts related to revenue, cash and loans and borrowings.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management as required by auditing standards and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non- compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits, pensions legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARSTON'S PLC CONTINUED

6. FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT CONTINUED

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the following areas as those most likely to have such an effect: the Pubs Code, health and safety, GDPR compliance, anti-bribery, employment law, Payment Card Industry compliance, money laundering, environmental protection, consumer rights, misrepresentation, market abuse legislation and certain aspects of company legislation recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non- compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We discussed with the Audit Committee matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

7. WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARSTON'S PLC CONTINUED

7. WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT CONTINUED

Based on those procedures, other than the material uncertainty related to going concern referred to above, we have nothing further material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability Statement (page 58) that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability Statement set out on page 55 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

8. WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARSTON'S PLC CONTINUED

9. RESPECTIVE RESPONSIBILITIES

Directors' responsibilities

As explained more fully in their statement set out on page 98, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at **www.frc.org.uk/auditorsresponsibilities**.

10. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

JOHN LEECH
(SENIOR STATUTORY AUDITOR)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

One Snowhill
Snow Hill Queensway Birmingham
B4 6GH
8 December 2022

GROUP INCOME STATEMENT

For the 52 weeks ended 1 October 2022

		2022			2021		
	Note	Underlying £m	Non-underlying[1] (note 4) £m	Total £m	Underlying £m	Non-underlying[1] (note 4) £m	Total £m
Continuing operations							
Revenue	3	**799.6**	**–**	**799.6**	401.7	–	401.7
Operating expenses	3	**(684.2)**	**26.7**	**(657.5)**	(396.0)	(96.2)	(492.2)
Income/(loss) from associates	12	**3.3**	**–**	**3.3**	(14.5)	–	(14.5)
Operating profit/(loss)	4	**118.7**	**26.7**	**145.4**	(8.8)	(96.2)	(105.0)
Finance costs	6	**(91.9)**	**–**	**(91.9)**	(93.4)	(2.0)	(95.4)
Finance income	6	**0.9**	**0.5**	**1.4**	0.9	–	0.9
Interest rate swap movements	4, 6	**–**	**109.2**	**109.2**	–	8.4	8.4
Contingent consideration fair value movement	4, 6	**–**	**(0.7)**	**(0.7)**	–	20.0	20.0
Net finance (costs)/income	4, 6	**(91.0)**	**109.0**	**18.0**	(92.5)	26.4	(66.1)
Profit/(loss) before taxation		**27.7**	**135.7**	**163.4**	(101.3)	(69.8)	(171.1)
Taxation	4, 7	**(0.2)**	**(26.0)**	**(26.2)**	15.1	27.7	42.8
Profit/(loss) for the period from continuing operations		**27.5**	**109.7**	**137.2**	(86.2)	(42.1)	(128.3)
Discontinued operations							
Profit for the period from discontinued operations	8	**–**	**–**	**–**	1.7	289.4	291.1
Profit/(loss) for the period attributable to equity shareholders		**27.5**	**109.7**	**137.2**	(84.5)	247.3	162.8

The results for the current period reflect the 52 weeks ended 1 October 2022 and the results for the prior period reflect the 52 weeks ended 2 October 2021.

1 Alternative performance measures (APMs) are defined and reconciled to a statutory equivalent in the Glossary on page 167.

GROUP INCOME STATEMENT CONTINUED

For the 52 weeks ended 1 October 2022

Earnings/(loss) per share:	Note	**2022 p**	2021 p
Basic earnings/(loss) per share	9		
Total		**21.7**	25.7
Continuing		**21.7**	(20.3)
Discontinued		**–**	46.0
Basic underlying earnings/(loss) per share	9		
Total		**4.3**	(13.4)
Continuing		**4.3**	(13.6)
Discontinued		**–**	0.3
Diluted earnings/(loss) per share	9		
Total		**21.4**	25.7
Continuing		**21.4**	(20.3)
Discontinued		**–**	46.0
Diluted underlying earnings/(loss) per share	9		
Total		**4.3**	(13.4)
Continuing		**4.3**	(13.6)
Discontinued		**–**	0.3

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the 52 weeks ended 1 October 2022

	2022 £m	2021 £m
Profit for the period	**137.2**	162.8
Items of other comprehensive income that may subsequently be reclassified to profit or loss		
Gains arising on cash flow hedges	**23.9**	5.9
Transfers to the income statement on cash flow hedges	**17.0**	19.7
Other comprehensive expense of associates	**(0.8)**	–
Tax on items that may subsequently be reclassified to profit or loss	**(10.2)**	1.7
	29.9	27.3
Items of other comprehensive income that will not be reclassified to profit or loss		
Remeasurement of retirement benefits	**23.3**	17.5
Unrealised surplus on revaluation of properties	**105.8**	59.1
Reversal of past revaluation surplus	**(34.3)**	(105.0)
Tax on items that will not be reclassified to profit or loss	**(20.5)**	(12.3)
	74.3	(40.7)
Other comprehensive income/(expense) for the period	**104.2**	(13.4)
Total comprehensive income for the period attributable to equity shareholders	**241.4**	149.4

Other comprehensive income/(expense) for the current and prior period relates wholly to continuing operations.

The results for the current period reflect the 52 weeks ended 1 October 2022 and the results for the prior period reflect the 52 weeks ended 2 October 2021.

GROUP CASH FLOW STATEMENT

For the 52 weeks ended 1 October 2022

	Note	2022 £m	2021 £m
Operating activities			
Profit for the period		**137.2**	162.8
Taxation		**26.2**	(43.5)
Net finance (income)/costs		**(18.0)**	66.2
Depreciation and amortisation		**44.2**	42.7
Gain on disposal of subsidiary		**–**	(290.5)
Working capital movement	31	**(31.8)**	(6.4)
Non-cash movements	31	**(30.4)**	100.6
(Decrease)/increase in provisions and other non-current liabilities		**(7.0)**	2.3
Difference between defined benefit pension contributions paid and amounts charged		**(7.3)**	(7.0)
Dividends from associates		**19.4**	–
Income tax received		**1.5**	7.5
Net cash inflow from operating activities		**134.0**	34.7
Investing activities			
Interest received		**0.9**	0.5
Sale of property, plant and equipment and assets held for sale		**9.9**	16.2
Purchase of property, plant and equipment and intangible assets		**(70.1)**	(46.6)
Disposal of subsidiary	8	**28.2**	228.0
Movement in trade loans		**–**	0.1
Finance lease capital repayments received		**2.7**	1.2
Net transfer from/(to) other cash deposits	30	**0.2**	(1.2)
Net cash (outflow)/inflow from investing activities		**(28.2)**	198.2
Financing activities			
Interest paid		**(79.4)**	(96.3)
Swap termination costs		**–**	(19.9)
Proceeds from sale of own shares		**–**	0.1
Repayment of securitised debt		**(37.4)**	(35.4)
Advance/(repayment) of bank borrowings		**25.0**	(80.1)
Net repayments of lease liabilities		**(8.5)**	(19.8)
(Repayment)/advance of other borrowings		**(10.0)**	10.0
Net cash outflow from financing activities		**(110.3)**	(241.4)
Net decrease in cash and cash equivalents	30	**(4.5)**	(8.5)

The cash flows for the current period reflect the 52 weeks ended 1 October 2022 and the cash flows for the prior period reflect the 52 weeks ended 2 October 2021.

GROUP BALANCE SHEET

As at 1 October 2022

	Note	1 October 2022 £m	2 October 2021 £m
Non-current assets			
Intangible assets	10	**35.1**	36.1
Property, plant, and equipment	11	**2,111.0**	1,984.2
Interests in associates	12	**260.3**	277.4
Other non-current assets	13	**17.9**	15.9
Deferred tax assets	14	**–**	47.6
Retirement benefit surplus	15	**15.1**	–
Derivative financial instruments	16	**1.8**	–
		2,441.2	2,361.2
Current assets			
Derivative financial instruments	16	**3.3**	–
Inventories	17	**12.6**	12.9
Trade and other receivables	18	**30.1**	52.3
Current tax assets		**–**	1.0
Other cash deposits		**3.0**	3.2
Cash and cash equivalents		**27.7**	32.2
		76.7	101.6
Assets held for sale	19	**4.8**	5.1
		81.5	106.7
Current liabilities			
Borrowings	20	**(64.1)**	(67.5)
Trade and other payables	22	**(204.4)**	(220.7)
Current tax liabilities		**(1.2)**	–
Provisions for other liabilities and charges	23	**(1.0)**	(1.5)
		(270.7)	(289.7)
Non-current liabilities			
Borrowings	20	**(1,560.6)**	(1,571.8)
Derivative financial instruments	16	**(25.5)**	(170.5)
Other non-current liabilities	24	**(6.5)**	(5.5)
Provisions for other liabilities and charges	23	**(3.3)**	(9.6)
Deferred tax liabilities	14	**(8.0)**	–
Retirement benefit obligations	15	**–**	(14.4)
		(1,603.9)	(1,771.8)
Net assets		**648.1**	406.4

GROUP BALANCE SHEET CONTINUED

As at 1 October 2022

	Note	1 October 2022 £m	2 October 2021 £m
Shareholders' equity			
Equity share capital	28	**48.7**	48.7
Share premium account		**334.0**	334.0
Revaluation reserve		**417.1**	360.5
Capital redemption reserve	29	**6.8**	6.8
Hedging reserve		**(50.7)**	(81.4)
Own shares	29	**(110.9)**	(111.1)
Retained earnings		**3.1**	(151.1)
Total equity		**648.1**	406.4

The financial statements were approved by the Board and authorised for issue on 7 December 2022 and are signed on its behalf by:

ANDREW ANDREA
CHIEF EXECUTIVE OFFICER
7 December 2022

GROUP STATEMENT OF CHANGES IN EQUITY

For the 52 weeks ended 1 October 2022

	Equity share capital £m	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Hedging reserve £m	Own shares £m	Retained earnings £m	Total equity £m
At 3 October 2021	48.7	334.0	360.5	6.8	(81.4)	(111.1)	(151.1)	406.4
Profit for the period	–	–	–	–	–	–	137.2	137.2
Remeasurement of retirement benefits	–	–	–	–	–	–	23.3	23.3
Tax on remeasurement of retirement benefits	–	–	–	–	–	–	(5.8)	(5.8)
Gains on cash flow hedges	–	–	–	–	23.9	–	–	23.9
Transfers to the income statement on cash flow hedges	–	–	–	–	17.0	–	–	17.0
Tax on hedging reserve movements	–	–	–	–	(10.2)	–	–	(10.2)
Other comprehensive expense of associates	–	–	–	–	–	–	(0.8)	(0.8)
Property revaluation	–	–	105.8	–	–	–	–	105.8
Property impairment	–	–	(34.3)	–	–	–	–	(34.3)
Deferred tax on properties	–	–	(14.7)	–	–	–	–	(14.7)
Total comprehensive income	–	–	56.8	–	30.7	–	153.9	241.4
Share-based payments	–	–	–	–	–	–	0.5	0.5
Sale of own shares	–	–	–	–	–	0.2	(0.2)	–
Transfer disposals to retained earnings	–	–	(0.2)	–	–	–	0.2	–
Changes in equity of associates	–	–	–	–	–	–	(0.2)	(0.2)
Total transactions with owners	–	–	(0.2)	–	–	0.2	0.3	0.3
At 1 October 2022	**48.7**	**334.0**	**417.1**	**6.8**	**(50.7)**	**(110.9)**	**3.1**	**648.1**

Further detail in respect of the Group's equity is provided in notes 28 and 29.

GROUP STATEMENT OF CHANGES IN EQUITY CONTINUED

For the 52 weeks ended 2 October 2021

	Equity share capital £m	Share premium account £m	Revaluation reserve £m	Merger reserve £m	Capital redemption reserve £m	Hedging reserve £m	Own shares £m	Retained earnings £m	Total equity £m
At 4 October 2020	48.7	334.0	430.6	23.7	6.8	(108.7)	(111.9)	(374.3)	248.9
Profit for the period	–	–	–	–	–	–	–	162.8	162.8
Remeasurement of retirement benefits	–	–	–	–	–	–	–	17.5	17.5
Tax on remeasurement of retirement benefits	–	–	–	–	–	–	–	(2.5)	(2.5)
Gains on cash flow hedges	–	–	–	–	–	5.9	–	–	5.9
Transfers to the income statement on cash flow hedges	–	–	–	–	–	19.7	–	–	19.7
Tax on hedging reserve movements	–	–	–	–	–	1.7	–	–	1.7
Property revaluation	–	–	59.1	–	–	–	–	–	59.1
Property impairment	–	–	(105.0)	–	–	–	–	–	(105.0)
Deferred tax on properties	–	–	(9.8)	–	–	–	–	–	(9.8)
Total comprehensive (expense)/income	–	–	(55.7)	–	–	27.3	–	177.8	149.4
Share-based payments	–	–	–	–	–	–	–	1.2	1.2
Sale of own shares	–	–	–	–	–	–	0.8	(0.7)	0.1
Transfer disposals to retained earnings	–	–	(15.1)	(23.7)	–	–	–	38.8	–
Transfer tax to retained earnings	–	–	0.7	–	–	–	–	(0.7)	–
Changes in equity of associates	–	–	–	–	–	–	–	6.8	6.8
Total transactions with owners	–	–	(14.4)	(23.7)	–	–	0.8	45.4	8.1
At 2 October 2021	**48.7**	**334.0**	**360.5**	**–**	**6.8**	**(81.4)**	**(111.1)**	**(151.1)**	**406.4**

Further detail in respect of the Group's equity is provided in notes 28 and 29.

NOTES

For the 52 weeks ended 1 October 2022

1 ACCOUNTING POLICIES

The Group's principal accounting policies are set out below:

Basis of preparation

These consolidated financial statements for the 52 weeks ended 1 October 2022 (2021: 52 weeks ended 2 October 2021) have been prepared in accordance with UK-adopted international accounting standards. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain items, principally effective freehold land and buildings, certain financial instruments, retirement benefits and share-based payments, as explained below.

New standards

The International Accounting Standards Board (IASB) have issued the following new or revised standards with an effective date for financial periods beginning on or after the dates disclosed below. These standards have not yet been adopted by the Group. The IASB have also issued a number of minor amendments to standards as part of their Annual Improvements to IFRS.

It is not anticipated that any of the unadopted new standards will have a material impact on the Group's results or financial position.

Going concern

The cost-of-living crisis and the impact of COVID-19 has led to lower profit and operating cashflows than would otherwise have resulted had these macroeconomic conditions not existed. As a result of this there remains uncertainty about the future financial performance of the Group and the Company, which could cast significant doubt over the Group's ability to trade as a going concern.

The Group's sources of funding include its securitised debt, a £280.0 million bank facility available until 2024, of which £215.0 million was drawn at 1 October 2022, a £40.0 million private placement in place until 2024, and a £5.0 million seasonal overdraft facility which extends to £20.0 million from 25 January to 6 May and 1 July to 12 August each year.

There are two covenants associated with both the Group's securitised debt - free cash flow to debt service coverage ratio (FCF DSCR) and Net Worth. The FCF DSCR is a measure of free cash flow to debt service for the group headed by Marston's Pubs Parent Limited and is required to be a minimum of 1.1 over both a two-quarter and four-quarter period, and the Net Worth is derived from the net assets of that group of companies. There was headroom of £432.4 million on the Net Worth Covenant, headroom of 0.2 on the two-quarter FCF DSCR Covenant and headroom of 0.2 on the four-quarter FCF DSCR Covenant at 1 October 2022.

New standards continued

IFRS 3	Business Combinations Reference to the Conceptual Framework	1 January 2022
IFRS 10	Consolidated Financial Statements Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Date deferred
IFRS 16	Leases Amendments regarding seller-lessor subsequent measurement in a sale and leaseback transaction	1 January 2024
IFRS 17	Insurance Contracts New accounting standard	1 January 2023
IAS 1	Presentation of Financial Statements Amendments regarding the classification of liabilities	1 January 2023
	Amendments regarding the disclosure of accounting policies	1 January 2023
	Amendments in non-current liabilities regarding long-term debt with covenants	1 January 2024
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors Amendments regarding the definition of accounting estimates	1 January 2023
IAS 12	Income Taxes Amendments regarding deferred tax on leases and decommissioning obligations	1 January 2023
IAS 16	Property, Plant and Equipment Amendments prohibiting an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use	1 January 2022
IAS 28	Investments in Associates and Joint Ventures Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Date deferred
IAS 37	Provisions, Contingent Liabilities and Contingent Assets Amendments regarding the costs to include when assessing whether a contract is onerous	1 January 2022

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

1 ACCOUNTING POLICIES CONTINUED

Going concern continued

There are two covenants associated with the Group's bank and private placement borrowings for the non-securitised group of companies. The Debt Cover covenant is a measure of net borrowings to EBITDA (a maximum of 5.0 times from 1 October 2022, reducing on a stepped basis to 3.5 times from 1 April 2023). The Interest Cover covenant is a measure of EBITDA to finance charges, which is a minimum of 1.2 times from 1 October 2022, rising on a stepped basis to 2.0 times from 1 July 2023 for the Group's bank borrowings and 3.0 times from 1 April 2023 for the private placement borrowings. There was headroom of 0.2 on the Debt Cover covenant and headroom of 0.4 on the Interest Cover covenant at 1 October 2022. There are additional Liquidity and Unencumbered Asset Cover covenants for the Group's private placement borrowings only. The Liquidity covenant is a measure of headroom on the Group's bank and private placement borrowings, which is a minimum of £75 million on the last day of each fiscal month from 30 September 2022, increasing to £100 million from 31 January 2023. The Unencumbered Asset Cover covenant is a measure of tangible assets of the non-securitised group of companies to net borrowings, which is a minimum of 1.5 as at 1 October 2022. Liquidity was £78 million against the covenant level of £75 million and headroom was 0.1 on the Unencumbered Asset Cover covenant at 1 October 2022.

The Directors have performed an assessment of going concern over the period of 12 months from the date of signing these financial statements, to assess the adequacy of the Group's financial resources. In performing their assessment, the Directors considered the Group's financial position and exposure to principal risks, including the cost-of-living crisis and the continuing impact of COVID-19. The Group's base case forecasts assume an increase in sales volumes, below inflation sales price rises, and below inflation operational cost increases as a result of the Group's gas prices being fixed until 2025 and electricity prices fixed throughout the upcoming winter. The Debt Cover and Interest Cover bank and private placement covenants, and private placement Unencumbered Asset Cover covenant, are forecast to be breached in 2023 commencing from the 31 December 2022 test date such that covenant amendments will be required for this quarter and potentially subsequent quarters in the 2023 financial year. In respect of the Liquidity covenant associated with the Group's £40 million private placement borrowings for the fiscal month ending on or about 31 October 2022, there was a technical default, for which waivers have been secured (see note 35). The Group also obtained prospective waivers from its private placement provider for the fiscal months ending on or about 30 November 2022 and 31 December 2022 Liquidity covenants and further amendments to this Liquidity covenant will be required during the year. The forecast breaches that will require further covenant amendments result from the continued recovery from COVID-19 and the impact of Omicron in H1.

The Directors have also considered a severe but plausible downside scenario, incorporating a 5% reduction in sales volumes from the cost-of-living crisis. It has been assumed that variable costs will move in line with the change in sales volumes and a further 2% price increase can be taken to mitigate some of the volume decline. The Group has identified further mitigating actions that could be taken including a deferral of an element of the planned maintenance expenditure, as well as a deferral of investment capital expenditure, in periods with lower liquidity headroom. The conclusion of this assessment was that the Directors are satisfied that the Group has adequate liquidity to withstand such a severe but plausible downside scenario. However, as above, the bank and private placement covenants are forecast to be breached in 2023 commencing from the 31 December 2022 test date; the forecast breaches that will require further amendments result from the continued recovery from COVID-19 and the impact of Omicron in H1.

On both the base case and severe but plausible downside case there is adequate headroom forecast throughout the period under review. However, as the forecasts indicate that covenants are expected to be breached within the next 12 months, the Directors have concluded that a material uncertainty over going concern exists. The Group is in negotiations with its lenders and, on the basis of the previous covenant waivers and amendments secured, and the return to pre-pandemic levels of trading during the current financial period, the Directors expect to be able to secure covenant amendments for financial year 2023 before 31 December 2022.

Considering the above, the Directors are satisfied that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of signing these financial statements. For this reason, the Directors continue to adopt the going concern basis of accounting in preparing these financial statements. However, a material uncertainty exists, in particular with respect to the ability to achieve the required covenant amendments, which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Marston's PLC and all of its subsidiary undertakings. The results of subsidiary undertakings are included in the Group accounts from the date on which control transferred to the Group or, in the case of disposals, up to the date when control ceased. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. Transactions between Group companies are eliminated on consolidation.

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

1 ACCOUNTING POLICIES CONTINUED

The Group has applied the purchase method in accounting for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the consideration paid and deferred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition costs are expensed as incurred. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the identifiable net assets of the subsidiary acquired, the difference is recognised immediately in the income statement.

When the Group loses control of a subsidiary the carrying amounts of the assets and liabilities of that subsidiary are derecognised at the date when control is lost. The fair value of the consideration received is recognised alongside any investment retained in the former subsidiary at the date that control is lost. Any resulting difference is recognised in full as a gain or loss under IFRS 10 'Consolidated Financial Statements'.

The consolidated financial statements incorporate the results of Marston's Issuer PLC and its parent company, Marston's Issuer Parent Limited. Marston's Issuer PLC was set up with the sole purpose of issuing debt secured on assets owned by the Group. Wilmington Trust SP Services (London) Limited holds the shares of Marston's Issuer Parent Limited under a declaration of trust for charitable purposes. The rights provided to the Group through the securitisation give the Group power over these companies and the ability to use that power to affect its exposure to variable returns from them. As such the Directors of Marston's PLC consider that these companies are controlled by the Group, as defined in IFRS 10, and hence for the purpose of the consolidated financial statements they have been treated as subsidiary undertakings.

The Group's interests in associates are accounted for using the equity method. On initial recognition the investment in an associate is recognised at cost and the carrying amount is subsequently increased or decreased to recognise the Group's share of the profit or loss, other comprehensive income and changes in equity of the associate after the date of acquisition. The net investment in an associate is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of events that occurred after the initial recognition of the net investment which have an impact on the estimated future cash flows that can be reliably estimated.

Revenue and other operating income

The Group's revenue from contracts with customers in respect of continuing operations comprises outlet sales and wholesale sales.

Outlet sales – continuing
The Group sells food and drink to customers in its pubs. Revenue from the sale of food and drink is recognised when the goods are sold to the customers in the pubs. Payment of the transaction price is due immediately when the goods are provided to the customer.

The Group provides accommodation to customers in its public houses and lodges. Revenue from the provision of accommodation is recognised over the period of the customer's stay. Payment of the transaction price is due at the time of the customer's stay.

The Group provides gaming machines for customers to play in its pubs. Revenue from gaming machines is recognised when the game has been played. Payment of the transaction price is due when the game is played.

In respect of its franchised arrangements, where the Group controls the above goods or services before those goods or services are transferred to the customer, the associated income is included within the Group's revenue.

Wholesale sales – continuing
The Group sells drinks to tenants of its licensed properties. Revenue is recognised when the Group has transferred control of the goods to the customer. This occurs when the goods have been delivered to the customer, the customer has obtained legal title to the goods, the Group cannot require the return or transfer of the goods and the customer has an unconditional obligation to pay for the goods.

The Group has discretion in establishing the price of goods delivered to the customer and the Group is responsible for fulfilling the promise to provide the specified goods.

A receivable is recognised when the goods are delivered, and payment is due in line with each customer's individual credit terms. These terms are all less than one year and as such no element of financing is considered to be present.

The Group's revenue from contracts with customers in respect of discontinued operations comprised wholesale sales and contract services.

Wholesale sales – discontinued
The Group sold drinks to wholesalers, retailers and other pub operators. Revenue was recognised when the Group had transferred control of the goods to the customer. This occurred when the goods had been delivered to the customer, the customer had obtained legal title to the goods, the Group could not require the return or transfer of the goods and the customer had an unconditional obligation to pay for the goods.

Drinks were often sold with retrospective volume discounts based on sales over a defined period. The anticipated discounts were estimated based on accumulated experience using the expected value method and were deducted from the sales price that was recognised in revenue. A refund liability was recognised within trade and other payables for the volume discounts expected to be paid in respect of sales made prior to the balance sheet date.

Contract services – discontinued
The Group brewed and packaged drinks for customers. Revenue was recognised when the Group had transferred control of the goods to the customer. This occurred when the goods had been delivered to the customer, the customer had obtained legal title to the goods and the customer had an unconditional obligation to pay for the goods.

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

1 ACCOUNTING POLICIES CONTINUED

The Group also transported and delivered goods for customers. Revenue was recognised over time as the Group transported the goods; due to the short distances the goods were transported this was equivalent to recognising revenue at the point when the goods were delivered to the required location.

Revenue is recorded net of discounts, intra group transactions, VAT and excise duty relating to the brewing and packaging of certain products.

The Group has elected to apply the practical expedient in paragraph 63 of IFRS 15 'Revenue from Contracts with Customers' whereby the promised amount of consideration is not adjusted for the effects of a significant financing component if it is expected that payment will be received within one year.

Rental income
The Group also includes rent receivable from tenants of its licensed properties within revenue from continuing operations. This income is recognised in the period to which it relates.

Other operating income
Other operating income in the prior period mainly comprised amounts receivable under the Coronavirus Job Retention Scheme and COVID-19 assistance grants from local authorities. These are recognised in the period to which they relate.

Operating segments

The Group is considered to have one operating segment under IFRS 8 'Operating Segments' and no disclosures are presented. This is in line with the reporting to the chief operating decision maker and the operational structure of the business. The measure of profit or loss reviewed by the chief operating decision maker is underlying profit/loss before tax for the total of continuing and discontinued operations.

Non-underlying[1] items

In order to illustrate the underlying[1] performance of the Group, presentation has been made of performance measures excluding those items which it is considered would distort the comparability of the Group's results. Non-underlying[1] items are defined as those items of income and expense which, because of the materiality, nature and/or expected infrequency of the events giving rise to them, merit separate presentation to enable users of the financial statements to better understand elements of financial performance in the period, so as to facilitate comparison with future and prior periods. As management of the freehold and leasehold property estate is an essential and significant area of the business, the threshold for classification of property related items as non-underlying[1] is higher than other items.

Details in respect of non-underlying[1] items recognised in the current and prior period are provided in notes 4 and 8. Material judgements in respect of the classification of non-underlying[1] items in the current period related to the impairment of freehold and leasehold properties and the interest rate swap movements. The impairment of freehold and leasehold properties and the interest rate swap valuation movement were considered to be non-underlying[1] as they were significant items that resulted primarily from movements in external market variables rather than reflecting the underlying[1] trading performance of the Group.

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and any impairment losses. Intangible assets arising on an acquisition are recognised separately from goodwill if the fair value of these assets can be identified separately and measured reliably.

Amortisation is calculated on a straight-line basis over the estimated useful life of the intangible asset. Where the useful life of the asset is considered to be indefinite no annual amortisation is provided but the asset is subject to annual impairment reviews. Impairment reviews are carried out more frequently if events or changes in circumstances indicate that the carrying value of an asset may be impaired. Any impairment of carrying value is charged to the income statement. The useful lives of the Group's intangible assets are:

Computer software	5 to 20 years

Property, plant, and equipment

- Land and buildings which are either freehold or are in substance freehold assets are classed as effective freehold land and buildings. This includes leasehold land and buildings with a term exceeding 100 years at acquisition/commencement of the lease or where there is an option to purchase the freehold at the end of the lease term for a nominal amount. All other leasehold land and buildings are classed as leasehold land and buildings.
- Effective freehold land and buildings are initially stated at cost and subsequently at valuation. Leasehold land and buildings, plant and machinery and fixtures, fittings, tools and equipment are stated at cost.
- Depreciation is charged to the income statement on a straight-line basis to provide for the cost or valuation of the assets less their residual values over their useful lives.
- Land and buildings are depreciated to their residual values over the lower of the lease term (where applicable) and 50 years.
- Plant and machinery and fixtures, fittings, tools and equipment are depreciated over periods ranging from 3 to 15 years.
- Own labour and interest costs directly attributable to capital projects are capitalised.

1 Alternative performance measures (APMs) are defined and reconciled to a statutory equivalent in the Glossary on page 167.

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

1 ACCOUNTING POLICIES CONTINUED

Residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date. The Group's effective freehold land and buildings in respect of its pub estate are considered to have a residual value equal to their current valuation and as such no depreciation is charged on these assets.

Effective freehold land and buildings are revalued by qualified valuers on an annual basis using open market values so that the carrying value of an asset does not differ significantly from its fair value at the balance sheet date. The annual valuations are determined via third-party inspection of approximately a third of the sites such that all sites are individually inspected every three years. Substantially all of the Group's effective freehold land and buildings have been valued by a third-party in accordance with the Royal Institution of Chartered Surveyors' Red Book. These valuations are performed directly by reference to observable prices in an active market or recent market transactions on arm's length terms. Internal valuations are performed on the same basis.

For effective freehold land and buildings, revaluation losses are charged to the revaluation reserve to the extent that a previous gain has been recorded for that effective freehold asset, and thereafter to the income statement. Surpluses on revaluation are recognised in the revaluation reserve, except to the extent that they reverse previously charged impairment losses for an effective freehold asset, in which case the reversal is recorded in the income statement.

The effective freehold property estate is assessed at each reporting date to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. This is consistent with the requirements of IAS 16 'Property, Plant and Equipment'.

Disposals of property, plant and equipment

Profit/loss on disposal of property, plant and equipment represents net sale proceeds less the carrying value of the assets and any associated lease liabilities. Any element of the revaluation reserve relating to the property disposed of is transferred to retained earnings at the date of sale.

Impairment

If there are indications of impairment or reversal of impairment, an assessment is made of the recoverable amount of each significant cash generating unit, which is performed at an individual site level. An impairment loss is recognised where the recoverable amount is lower than the carrying value of assets, including goodwill. The recoverable amount is the higher of value in use and fair value less costs to sell. The impairment loss is recognised in the income statement unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation reserve to the extent that a previous gain has been recorded, and thereafter to the income statement.

Where there is an indication that any previously recognised impairment losses no longer exist or have decreased, a reversal of the loss is made if there has been a change in the estimates used to determine the recoverable amounts since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount only up to the carrying amount that would have resulted, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior periods. The reversal is recognised in the income statement unless the asset is carried at a revalued amount. The reversal of an impairment loss on a revalued asset is recognised in other comprehensive income and increases the revaluation surplus for that asset. However, to the extent that an impairment loss on the same revalued asset was previously recognised in the income statement, the reversal of that impairment loss is recognised in the income statement. The depreciation charge is adjusted in future periods to allocate the asset's revised carrying value, less any residual value, on a systematic basis over its remaining useful life. There is no reversal of impairment losses relating to goodwill.

Leases

At the inception of a contract the Group assesses whether that contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has taken the practical expedient in paragraph C3 of IFRS 16 'Leases' not to reassess whether an existing contract is or contains a lease at the date of initial application and as such the IFRS 16 definition of a lease has only been applied to contracts which were entered into or amended on or after 29 September 2019.

The lease term is determined as the non-cancellable period of a lease together with periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and the periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

The Group has elected not to apply the lessee requirements of IFRS 16 to short-term leases and leases for which the underlying asset is of low value. The lease payments for such leases are recognised as an expense on a straight-line basis over the lease term. For all other leases where it is the lessee the Group recognises a lease liability and a right-of-use asset at the commencement date of the lease.

The lease liability is recognised as the present value of the lease payments discounted using either the interest rate implicit in the lease or, where that rate cannot be readily determined, the Group's incremental borrowing rate. The lease payments include variable payments that depend on an index or rate and the exercise price of a purchase option if it is reasonably certain that it will be exercised. The lease liability is subsequently increased to reflect the interest thereon, reduced by the lease payments made and remeasured to reflect any reassessments or lease modifications, such as a change in future lease payments resulting from a change in an index or rate or a change in the lease term.

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

1 ACCOUNTING POLICIES CONTINUED

The right-of-use asset is recognised at an amount equal to the total of the lease liability, any lease payments made at or before the commencement date, any initial direct costs and the estimated future dismantling, removal, and site restoration costs. The Group has elected to apply the revaluation model to right-of-use assets relating to the effective freehold land and buildings class of property, plant, and equipment. All other right-of-use assets are held under the cost model and subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability.

For assets where the Group is the lessor, leases are classified as finance leases if the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Where the Group is an intermediate lessor of an asset, the sublease is classified as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease rather than the underlying asset.

Income receivable under operating leases is credited to the income statement on a straight-line basis over the term of the lease.

Where a sublease is classified as a finance lease the right-of-use asset is derecognised and the Group recognises a finance lease receivable at an amount equal to the net investment in the lease. The lease payments are discounted at the interest rate implicit in the lease, or where this cannot be readily determined, the discount rate used for the head lease. Finance income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease.

Obligations arising from sale and leaseback arrangements with repurchase options that do not fall within the scope of IFRS 16 are classified as other lease related borrowings and accounted for in accordance with IFRS 9 'Financial Instruments'.

Inventories

Inventories are stated at the lower of cost and net realisable value and are valued on a 'first in, first out' basis.

Assets held for sale

Assets, typically properties and related fixtures and fittings, are categorised as held for sale when their value will be recovered through a sale transaction rather than continuing use. This condition is met when the sale is highly probable, the asset is available for immediate sale in its present condition and is being actively marketed. In addition, the Group must be committed to the sale and completion should be expected to occur within one year from the date of classification. Assets held for sale are valued at the lower of carrying value and fair value less costs to sell. Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

Financial instruments

The Group classifies its financial assets in one of the following two categories: at fair value through profit or loss and at amortised cost. The Group classifies its financial liabilities in one of the following two categories: at fair value through profit or loss and other financial liabilities.

The Group classifies a financial asset as at amortised cost if the asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest.

Financial instruments at fair value through profit or loss
Derivatives are categorised as financial instruments at fair value through profit or loss unless they are designated as part of a hedging relationship. Contingent consideration is also categorised as at fair value through profit or loss as it does not give rise on specified dates to cash flows that are solely payments of principal and interest. The Group holds no other financial instruments at fair value through profit or loss.

Financial assets at amortised cost
Financial assets at amortised cost comprise finance lease receivables, trade receivables, other receivables, other cash deposits and cash and cash equivalents in the balance sheet and are measured using the effective interest method.

Other financial liabilities
Non-derivative financial liabilities are classified as other financial liabilities. The Group's other financial liabilities comprise borrowings, trade payables and other payables. Other financial liabilities are carried at amortised cost using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

Derivative financial instruments
The only derivative financial instruments that the Group enters into are interest rate swaps. The purpose of these transactions is to manage the interest rate risk arising from the Group's operations and its sources of finance.

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

1 ACCOUNTING POLICIES CONTINUED

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Gains or losses arising from changes in the fair value of derivatives which are not designated as part of a hedging relationship are presented in the income statement in the period in which they arise.

At the inception of a hedging transaction, the Group documents the economic relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking the hedging transaction. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

For the purpose of evaluating whether there is an economic relationship between the hedged item and the hedging instrument, the Group assumes that the benchmark interest rate is not altered as a result of interest rate benchmark reform. For a cash flow hedge of a forecast transaction and the purpose of assessing whether the forecast transaction is highly probable, the Group assumes that the benchmark interest rate will not be altered as a result of interest rate benchmark reform. In determining whether a previously designated forecast transaction in a discontinued cash flow hedge is still expected to occur, the Group assumes that the interest rate benchmark cash flows designated as a hedge will not be altered as a result of interest rate benchmark reform.

The Group ceases to apply these specific policies for assessing the economic relationship between the hedged item and the hedging instrument and undertaking its highly probable assessment of the forecast cash flows when the uncertainty arising from interest rate benchmark reform regarding the timing and the amount of the interest rate benchmark-based cash flows is no longer present, or when the hedging relationship is discontinued.

When the basis for determining the contractual cash flows of the hedged item or hedging instrument changes as a result of IBOR reform and therefore there is no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, the Group amends the formal designation of that hedging relationship to reflect the changes required by IBOR reform. For this purpose, the hedge designation is amended only to designate an alternative benchmark rate as the hedged risk, to update the description of the hedged item or to update the description of the hedging instrument. Such an amendment to the formal designation of a hedging relationship does not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

When the interest rate benchmark on which the hedged future cash flows had been based is changed as required by IBOR reform, for the purpose of determining whether the hedged future cash flows are expected to occur, the Group deems that the amount accumulated in the hedging reserve for that hedging relationship is based on the alternative benchmark rate on which the hedged future cash flows will be based.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Amounts that have been recognised in other comprehensive income in respect of cash flow hedges are reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flow affects profit or loss.

Contingent consideration
Contingent consideration is initially recognised at fair value at the date of disposal and subsequently remeasured at its fair value at each balance sheet date and upon settlement.

Finance lease receivables
Finance lease receivables are recognised at an amount equal to the net investment in the lease and subsequently measured at amortised cost less provision for impairment.

Trade receivables and other receivables
Trade receivables and other receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

The Group applies the expected credit loss model to calculate any loss allowance for finance lease receivables, trade receivables and other receivables. For finance lease receivables, trade receivables and other receivables that result from transactions that are within the scope of IFRS 15 'Revenue from Contracts with Customers' or from transactions that are within the scope of IFRS 16 'Leases' the loss allowance is measured as the lifetime expected credit loss. For any other trade or other receivables, the loss allowance is measured as the 12-month expected credit loss unless the credit risk has increased significantly since initial recognition, in which case the lifetime expected credit losses is used. Details of the methodologies used to calculate the expected credit loss for the different groupings of finance lease receivables, trade receivables and other receivables are given in note 25.

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

1 ACCOUNTING POLICIES CONTINUED

The carrying amount of finance lease receivables, trade receivables and other receivables is reduced through the use of an allowance account, and the amount of the loss allowance is recognised in the income statement within other operating charges. The Group's policy is to write off finance lease receivables, trade receivables and other receivables when there is no reasonable expectation of recovery of the balance due. Indicators that there is no reasonable expectation of recovery depend on the type of debtor/customer and include a debt being over four months old, the failure of the debtor to engage in a repayment plan and the failure to recover any amounts through enforcement activity. Subsequent recoveries of amounts previously written off are credited against other operating charges in the income statement.

Other cash deposits
Cash held on deposit with banks with a maturity of more than three months at the date of acquisition is classified within other cash deposits.

Cash and cash equivalents
Cash and cash equivalents include cash in hand and deposits on call with banks. Any bank overdrafts are shown within borrowings in current liabilities. For the purpose of the cash flow statement, cash and cash equivalents are as defined above, net of outstanding bank overdrafts.

Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

If the basis for determining the contractual cash flows of borrowings measured at amortised cost changes as a result of interest rate benchmark reform, then the effective interest rate of the borrowings is updated to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform when the change is necessary as a direct consequence of the reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

Preference shares are classified as liabilities. The dividends on these preference shares are recognised in the income statement as finance costs.

Borrowing costs are recognised as an expense in the period in which they are incurred, except for interest costs incurred on the financing of major projects, which are capitalised until the time that the projects are available for use.

Trade payables and other payables
Trade payables and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Employee benefits

Pension costs for the Group's defined benefit pension plan are determined by the Projected Unit Credit Method, with actuarial calculations being carried out at each period end date. Costs are recognised in the income statement within operating expenses and net finance costs/income. The current service cost, past service cost and gains or losses arising from settlements are included within operating expenses. The net interest on the net defined benefit asset/liability is included within finance income or costs and the administrative expenses paid from plan assets are included within finance costs.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are recognised in full in the period in which they occur in the statement of comprehensive income. The return on plan assets, excluding amounts included in the net interest on the net defined benefit asset/liability, is also recognised in other comprehensive income.

The asset/liability recognised in the balance sheet for the defined benefit pension plan is the fair value of plan assets less the present value of the defined benefit obligation. Where the fair value of plan assets exceeds the present value of the defined benefit obligation, the Group recognises an asset at the lower of the fair value of plan assets less the present value of the defined benefit obligation, and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The Trust Deed provides the Group with an unconditional right to refund of surplus assets assuming the full settlement of the defined benefit obligation in the event of a plan wind up, or otherwise augment the benefits due to members, of the plan. Based on these rights, any net surplus is recognised in full.

Should contributions payable under a minimum funding requirement not be available as a refund or reduction in future contributions after they are paid into the plan, a liability would be recognised to this extent when the obligation arose.

Pension costs for the Group's defined contribution pension plans are charged to the income statement in the period in which they arise.

Post-retirement medical benefits are accounted for in an identical way to the Group's defined benefit pension plan.

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

1 ACCOUNTING POLICIES CONTINUED

Key management personnel

Key management personnel are those who have authority and responsibility for planning, directing, and controlling the activities of the Group. In the case of Marston's PLC, the key management personnel are the Directors of the Group and as such the Directors are related parties of the Group.

Current and deferred tax

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date and is measured at the amount expected to be paid to, or recovered from, the tax authorities.

Deferred tax is provided in full, using the liability method, on all differences that have originated but not reversed by the balance sheet date, and which give rise to an obligation to pay more or less tax in the future. Differences are defined as the differences between the carrying value of assets and liabilities and their tax base.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the assets can be utilised.

Deferred tax is calculated using tax rates that are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

Provisions

Provisions are recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

These provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation for which the estimates of future cash flows have not been adjusted.

Share-based payments

The fair value of share-based remuneration at the date of grant is calculated using the Black-Scholes option-pricing model and charged to the income statement on a straight-line basis over the vesting period of the award. The charge to the income statement takes account of the estimated number of shares that will vest.

Non-vesting conditions are considered when determining the fair value of the Group's share-based payments, and all cancellations of share-based payments, whether by the Group or by employees, are accounted for in an identical manner with any costs unrecognised at the date of cancellation being immediately accelerated.

Own shares

Own shares comprise treasury shares, and shares held on trust for employee share schemes, which are used for the issuing of shares to applicable employees. Own shares are recognised at cost as a deduction from shareholders' equity. Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sale proceeds and the original cost being taken to equity. No income or expense is recognised in the performance statements on own share transactions.

Dividends

Dividends proposed by the Board but unpaid at the period end are recognised in the financial statements when they have been approved by the shareholders. Interim dividends are recognised when paid.

Transactions and balance sheet items in a foreign currency

Transactions in a foreign currency are translated to sterling using the exchange rate at the date of the transaction. Monetary receivables and payables are remeasured at closing day rates at each balance sheet date. Exchange gains or losses that arise from such remeasurement and on settlement of the transaction are recognised in the income statement. Translation differences for non-monetary assets valued at fair value through profit or loss are reported as part of the fair value gain or loss. Gains or losses on disposal of non-monetary assets are recognised in the income statement.

Government grants

Government grants are recognised when there is reasonable assurance the grants will be received, and the conditions of the grant will be complied with. Income from government grants is included within other operating income.

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

1 ACCOUNTING POLICIES CONTINUED

Key estimates and significant judgements

Under IFRS the Group is required to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The Group's key assumptions and significant judgements are in respect of non-underlying[1] items, property, plant and equipment, retirement benefits and financial instruments. Further details are provided in the relevant accounting policy or detailed note to the financial statements.

The following are the critical judgements, apart from those involving estimates (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have had the most significant effect on the amounts recognised in the financial statements:

Non-underlying[1] items
- Determination of items to be classified as non-underlying (see accounting policy).

The following estimates and assumptions have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities:

Property, plant, and equipment
- Valuation of effective freehold land and buildings (note 11).

Retirement benefits
- Actuarial assumptions in respect of the defined benefit pension plan, which include discount rates, rates of increase in pensions, inflation rates and life expectancies (note 15).

Financial instruments
- Valuation of derivative financial instruments (note 25).

1 Alternative performance measures (APMs) are defined and reconciled to a statutory equivalent in the Glossary on page 167.

2 SEGMENT REPORTING

Following the disposal of the Group's brewing operations in October 2020, the Group is considered to have one operating segment under IFRS 8 'Operating Segments' and no disclosures are presented. This is in line with the reporting to the chief operating decision maker and the operational structure of the business. The measure of profit or loss reviewed by the chief operating decision maker is underlying[1] profit/(loss) before tax for the total of continuing and discontinued operations.

Geographical areas

Revenue generated outside the UK during the period was £nil (2021: £0.9 million). This related wholly to discontinued operations. All of the Group's assets are located in the UK.

3 REVENUE AND OPERATING EXPENSES

Revenue	2022 £m	2021 £m
Outlet sales	**757.2**	376.3
Wholesale sales	**31.6**	20.4
Revenue from contracts with customers	**788.8**	396.7
Rental income	**10.8**	5.0
Total revenue from continuing operations	**799.6**	401.7

Operating expenses	2022 £m	2021 £m
Change in stocks of finished goods	**0.9**	(2.1)
Own work capitalised	**(0.8)**	(0.8)
Other operating income	**(9.6)**	(58.2)
Raw materials and consumables	**205.9**	105.6
Depreciation of property, plant, and equipment	**39.8**	38.9
Amortisation of intangible assets	**4.4**	3.8
Employee costs	**214.0**	183.9
Impairment (reversal) of freehold and leasehold properties	**(21.9)**	83.5
Other operating charges	**224.8**	137.6
Operating expenses for continuing operations	**657.5**	492.2

Government grants of £1.3 million (2021: £10.9 million) in respect of COVID-19 assistance from local authorities are included within other operating income from continuing operations. In the prior period, Government grants of £43.5 million in respect of the Coronavirus Job Retention Scheme were included in other operating income from continuing operations. Other operating charges primarily relate to pub overheads and administration costs.

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

3 REVENUE AND OPERATING EXPENSES CONTINUED

The amounts included in the line items above which have been classified as non-underlying[1] are as follows:

	2022 £m	2021 £m
Raw materials and consumables	–	0.1
Employee costs	–	1.7
Impairment (reversal) of freehold and leasehold properties	(21.9)	83.5
Other operating (income)/charges	(4.8)	10.9
	(26.7)	96.2

Fees payable to the Company's Auditor were as follows:

KPMG LLP fees:	2022 £m	2021 £m
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	0.3	0.2
Fees payable to the Company's Auditor for other services to the Group:		
The audit of the Company's subsidiaries	0.3	0.2
Audit related assurance services	0.1	0.1
	0.7	0.5

4 NON-UNDERLYING[1] ITEMS

	2022 £m	2021 £m
Non-underlying[1] operating items		
Reorganisation and restructuring costs	–	1.0
Impairment (reversal) of freehold and leasehold properties	(21.6)	83.9
Past service cost in respect of Guaranteed Minimum Pension equalisation	–	0.5
Impact of COVID-19	–	10.8
VAT claims	(5.1)	–
	(26.7)	96.2
Non-underlying[1] non-operating items		
Net interest on net defined benefit asset/liability	–	0.6
Interest on VAT claims	(0.5)	–
COVID-19 financing costs	–	1.4
Interest rate swap movements	(109.2)	(8.4)
Contingent consideration fair value movement	0.7	(20.0)
	(109.0)	(26.4)
Total non-underlying[1] items for continuing operations	(135.7)	69.8

1 Alternative performance measures (APMs) are defined and reconciled to a statutory equivalent in the Glossary on page 167.

Reorganisation and restructuring costs

Following the disposal of the Group's brewing business, and in light of the continuing impact of the COVID-19 outbreak in the prior period, the Group undertook a central restructuring exercise in the prior period as part of a full review of its overhead costs.

Impairment of freehold and leasehold properties

At 3 July 2022 the Group's effective freehold properties were revalued by independent chartered surveyors on an open market value basis. The Group also undertook an impairment review of its leasehold properties in the current period.

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

4 NON-UNDERLYING[1] ITEMS CONTINUED

The revaluation and impairment adjustments in respect of the above were recognised in the revaluation reserve or income statement as appropriate. The amount recognised in the income statement comprises:

	2022 £m	2021 £m
Impairment of property, plant and equipment (note 11)	**48.2**	104.0
Reversal of past impairment of property, plant, and equipment (note 11)	**(69.8)**	(22.3)
Impairment of assets held for sale (note 19)	**0.3**	1.8
Reversal of impairment of assets held for sale (note 19)	**(0.6)**	-
Valuation fees	**0.3**	0.4
	(21.6)	83.9

Past service cost in respect of Guaranteed Minimum Pension equalisation
On 26 October 2018 a High Court ruling indicated that Guaranteed Minimum Pensions must be equalised for men and women. On 20 November 2020 a further High Court ruling indicated that historic cash equivalent transfer values that were calculated on an unequalised basis should be topped up if an affected member makes a successful claim. This additional requirement was reflected in the calculation of the Group's net defined benefit asset/liability in the prior period and the resulting additional past service cost of £0.5 million was classified as a non-underlying[1] item in the prior period.

Impact of COVID-19
In order to mitigate the spread of COVID-19 the UK government implemented various operating restrictions in the hospitality industry, such as pub closures, reduced opening times and social distancing measures. These had a significant impact on the Group's business and its customers. Certain associated costs/charges, which primarily comprised bad debt and lease related provisions, contract penalties and stock write-offs, were classified as a non-underlying[1] item in the prior period. Details of government grants received in respect of COVID-19 are provided in note 3.

VAT claims
The Group has submitted claims to HM Revenue & Customs (HMRC) in respect of the VAT treatment of gaming machines from 1 January 2006 to 31 January 2013. Following detailed information gathering to support the claims made the Group has recognised the estimated amounts receivable, including interest, in the current period.

Net interest on net defined benefit asset/liability
The net interest on the net defined benefit asset/liability in respect of the Group's defined benefit pension plan was a charge of £0.2 million (2021: £0.6 million) (note 15). In the prior period this charge was recognised within non-underlying[1] items. In the current period, the Group determined that this charge no longer met the criteria to be recognised within non-underlying[1] items and the current period charge has been presented within underlying[1] items.

COVID-19 financing costs
As a result of the COVID-19 outbreak and the consequential impact on its trading ability, the Group obtained certain waivers from its lenders, primarily in respect of covenants. The costs related to this were classified as a non-underlying[1] item in the prior period.

Interest rate swap movements
The Group's interest rate swaps are revalued to fair value at each balance sheet date. For interest rate swaps which were designated as part of a hedging relationship a gain of £23.9 million (2021: £5.9 million) has been recognised in the hedging reserve in respect of the effective portion of the fair value movement and £6.2 million (2021: £7.2 million) has been reclassified from the hedging reserve to underlying finance costs in the income statement in respect of the cash paid in the period. The ineffective portion of the fair value movement has been recognised within the income statement. The cash paid of £1.5 million (2021: £1.6 million) has been recognised within underlying finance costs to ensure that underlying finance costs reflect the resulting fixed rate paid on the associated debt. The remainder of the ineffective portion of the fair value movement, a gain of £0.2 million (2021: loss of £0.8 million), has been recognised within non-underlying[1] items. In addition, £10.8 million (2021: £12.5 million) of the balance remaining in the hedging reserve in respect of discontinued cash flow hedges has been reclassified to the income statement within non-underlying[1] items.

For interest rate swaps which were not designated as part of a hedging relationship the fair value movement has been recognised within the income statement. The cash paid of £8.6 million (2021: £11.6 million) has been recognised within underlying finance costs to ensure that underlying finance costs reflect the resulting fixed rate paid on the associated debt. The remainder of the fair value movement, a gain of £119.8 million (2021: £24.0 million), equal to the change in the carrying value of the interest rate swaps in the period has been recognised within non-underlying[1] items.

The Group terminated one of its interest rate swaps in the prior period resulting in a loss of £2.3 million which was recognised within non-underlying[1] items.

Contingent consideration fair value movement
The contingent consideration on the disposal of Marston's Beer Company Limited was initially recognised at its fair value at the date of disposal and was subsequently remeasured at its fair value at 2 October 2021 and the date of settlement during the current period. The movement in fair value has been recognised within non-underlying[1] items.

Impact of taxation
The current tax charge relating to the above non-underlying[1] items amounts to £1.4 million (2021: £nil). The deferred tax charge relating to the above non-underlying[1] items amounts to £24.6 million (2021: credit of £7.9 million). In addition, there is a non-underlying[1] deferred tax credit of £nil (2021: £19.8 million) in relation to the change in corporation tax rate.

1 Alternative performance measures (APMs) are defined and reconciled to a statutory equivalent in the Glossary on page 167.

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

5 EMPLOYEES

Employee costs	2022 £m	2021 £m
Wages and salaries	**191.7**	166.5
Social security costs	**15.5**	13.4
Pension costs	**6.3**	6.6
Share-based payments	**0.5**	1.2
Termination costs	**–**	1.2
Employee costs	**214.0**	188.9
Employee costs for discontinued operations	**–**	(5.0)
Employee costs for continuing operations	**214.0**	183.9

A non-underlying[1] charge of £1.7 million was included in employee costs for continuing operations in the prior period.

Average monthly number of employees	2022 Number	2021 Number
Bar staff	**10,783**	9,578
Management, administration and production	**1,370**	1,511

Key management personnel compensation	2022 £m	2021 £m
Short-term employee benefits	**1.5**	1.6
Termination benefits	**–**	0.1
Share-based payments	**0.3**	0.4
	1.8	2.1

Key management personnel have been defined as the Board of Marston's PLC, including the Executive Directors. Members of the Board are set out on page 58 of the Annual Report and Accounts 2022. Details of remuneration for Directors, including the highest paid Director, are presented in the Annual Report on Remuneration on pages 87 to 94.

1 Alternative performance measures (APMs) are defined and reconciled to a statutory equivalent in the Glossary on page 167.

6 FINANCE COSTS AND INCOME

	2022 £m	2021 £m
Finance costs		
Bank borrowings	**12.5**	11.0
Securitised debt	**35.0**	37.4
Lease liabilities	**18.9**	17.7
Other lease related borrowings	**21.3**	21.1
Other interest payable and similar charges	**4.2**	6.2
	91.9	93.4
Non-underlying[1] finance costs		
Net interest on net defined benefit asset/liability	**–**	0.6
COVID-19 financing costs	**–**	1.4
	–	2.0
Total finance costs	**91.9**	95.4
Finance income		
Finance lease and other interest receivable	**(0.9)**	(0.9)
	(0.9)	(0.9)
Non-underlying[1] finance income		
Interest on VAT claims	**(0.5)**	–
	(0.5)	–
Total finance income	**(1.4)**	(0.9)
Interest rate swap movements		
Hedge ineffectiveness on cash flow hedges (net of cash paid)	**(0.2)**	0.8
Change in carrying value of interest rate swaps	**(119.8)**	(24.0)
Transfer of hedging reserve balance in respect of discontinued hedges	**10.8**	12.5
Loss on termination of interest rate swaps	**–**	2.3
	(109.2)	(8.4)
Contingent consideration fair value movement		
Contingent consideration fair value movement	**0.7**	(20.0)
	0.7	(20.0)
Net finance (income)/costs for continuing operations	**(18.0)**	66.1

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

7 TAXATION

Income statement	2022 £m	2021 £m
Current tax		
Current period	**0.2**	–
Adjustments in respect of prior periods	**(0.3)**	(0.5)
Charge in respect of tax on non-underlying[1] items	**1.4**	–
	1.3	(0.5)
Deferred tax		
Current period	**0.1**	(14.6)
Adjustments in respect of prior periods	**0.2**	–
Charge/(credit) in respect of tax on non-underlying[1] items	**24.6**	(7.9)
Non-underlying[1] credit in relation to the change in tax rate	**–**	(19.8)
	24.9	(42.3)
Taxation charge/(credit) for continuing operations reported in the income statement	**26.2**	(42.8)

Statement of comprehensive income	2022 £m	2021 £m
Remeasurement of retirement benefits	**5.8**	2.5
Impairment and revaluation of properties	**14.7**	9.8
Hedging reserve movements	**10.2**	(1.7)
Taxation charge reported in the statement of comprehensive income	**30.7**	10.6

1 Alternative performance measures (APMs) are defined and reconciled to a statutory equivalent in the Glossary on page 167.

A deferred tax charge of £nil (2021: £8.4 million) relating to the change in corporation tax rate has been recognised in the statement of comprehensive income and is included in the above amounts.

The actual tax rate for the period is lower (2021: higher) than the standard rate of corporation tax of 19% (2021: 19%). The differences are explained below:

Tax reconciliation	2022 £m	2021 £m
Profit/(loss) before tax from continuing operations	**163.4**	(171.1)
Profit/(loss) before tax multiplied by the corporation tax rate of 19% (2021: 19%)	**31.0**	(32.5)
Effect of:		
Adjustments in respect of prior periods	**(0.1)**	(0.5)
Change in deferred tax asset not recognised	**(8.5)**	9.0
Net deferred tax credit in respect of land and buildings	**(1.8)**	(2.6)
Costs not deductible for tax purposes	**–**	0.8
Share of (income)/loss of associate	**(0.6)**	2.8
Other amounts on which tax relief is available	**(2.4)**	–
Difference between deferred and current tax rates	**8.6**	–
Impact of change in tax rate	**–**	(19.8)
Taxation charge/(credit) for continuing operations	**26.2**	(42.8)

The March 2021 Budget announced that the main rate of corporation tax would change from 19% to 25% with effect from 1 April 2023. This change was substantively enacted on 24 May 2021. This will increase the Group's future current tax charge accordingly. The deferred tax assets and liabilities at 1 October 2022 have been calculated at 25% (2021: 25%).

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

8 DISCONTINUED OPERATIONS

On 4 October 2020 the Group transferred its brewing operations into a wholly owned subsidiary, Marston's Beer Company Limited. On 30 October 2020 the Group sold Marston's Beer Company Limited to Carlsberg Marston's Limited (formerly Carlsberg Marston's Brewing Company Limited) in exchange for a cash receipt of £232.4 million, contingent consideration of up to £34.0 million and a 40% shareholding in Carlsberg Marston's Limited (formerly Carlsberg Marston's Brewing Company Limited).

Results of discontinued operations

	2021		
	Underlying £m	Non-underlying[1] £m	Total £m
Revenue	22.1	–	22.1
Operating expenses	(20.7)	(1.4)	(22.1)
Operating profit/(loss)	**1.4**	**(1.4)**	**–**
Net finance costs	(0.1)	–	(0.1)
Profit/(loss) before taxation	**1.3**	**(1.4)**	**(0.1)**
Taxation	0.4	0.3	0.7
Profit/(loss) after taxation	**1.7**	**(1.1)**	**0.6**
Gain on disposal of discontinued operations	–	290.5	290.5
Profit for the period attributable to equity shareholders	**1.7**	**289.4**	**291.1**

Non-underlying[1] operating items in the prior period related to the impact of COVID-19 and business separation costs.

Government grants of £0.1 million in respect of the Coronavirus Job Retention Scheme were included within operating expenses for discontinued operations in the prior period.

Cash flows from discontinued operations

	2021 £m
Net cash outflow from operating activities	(86.8)
Net cash inflow from investing activities	227.7
Net cash outflow from financing activities	(0.2)
Net increase in cash and cash equivalents	**140.7**

1 Alternative performance measures (APMs) are defined and reconciled to a statutory equivalent in the Glossary on page 167.

Disposal of discontinued operations

	2021 £m
Consideration received in cash (net of disposal costs)	228.1
Shares in Carlsberg Marston's Limited (formerly Carlsberg Marston's Brewing Company Limited)	285.1
Balance owed by Marston's Beer Company Limited at completion	55.5
Contingent consideration	8.9
Total consideration	577.6
Goodwill	29.7
Other intangible assets	62.1
Property, plant and equipment	157.6
Trade loans	8.0
Inventories	28.5
Trade and other receivables	56.8
Cash and cash equivalents	0.1
Borrowings	(21.1)
Trade and other payables	(20.8)
Deferred tax liabilities	(13.8)
Net assets disposed of	287.1
Gain on disposal of discontinued operations	**290.5**

	2021 £m
Consideration received in cash (net of disposal costs)	228.1
Cash and cash equivalents disposed of	(0.1)
Net cash inflow on disposal	**228.0**

The final balance of contingent consideration due of £28.2 million was received during the current period.

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

9 EARNINGS PER ORDINARY SHARE

Basic earnings/(loss) per share are calculated by dividing the profit/(loss) attributable to equity shareholders by the weighted average number of ordinary shares in issue during the period, excluding treasury shares and those held on trust for employee share schemes (note 29).

For diluted earnings/(loss) per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees where the exercise price is less than the weighted average market price of the Company's shares during the period.

Underlying[1] earnings/(loss) per share figures are presented to exclude the effect of non-underlying[1] items. The Directors consider that the supplementary figures are a useful indicator of performance.

	2022		2021	
	Earnings £m	Per share amount p	Earnings £m	Per share amount p
Basic earnings/(loss) per share				
Total	**137.2**	**21.7**	162.8	25.7
Continuing	**137.2**	**21.7**	(128.3)	(20.3)
Discontinued	**–**	**–**	291.1	46.0
Diluted earnings/(loss) per share				
Total	**137.2**	**21.4**	162.8	25.7
Continuing	**137.2**	**21.4**	(128.3)	(20.3)
Discontinued	**–**	**–**	291.1	46.0
Underlying[1] earnings/(loss) per share figures				
Basic underlying[1] earnings/(loss) per share				
Total	**27.5**	**4.3**	(84.5)	(13.4)
Continuing	**27.5**	**4.3**	(86.2)	(13.6)
Discontinued	**–**	**–**	1.7	0.3
Diluted underlying[1] earnings/(loss) per share				
Total	**27.5**	**4.3**	(84.5)	(13.4)
Continuing	**27.5**	**4.3**	(86.2)	(13.6)
Discontinued	**–**	**–**	1.7	0.3

1 Alternative performance measures (APMs) are defined and reconciled to a statutory equivalent in the Glossary on page 167.

	2022 m	2021 m
Basic weighted average number of shares	**633.1**	632.8
Dilutive potential ordinary shares	**9.4**	–
Diluted weighted average number of shares	**642.5**	632.8

In the prior period in accordance with IAS 33 'Earnings per Share' the potential ordinary shares were not dilutive as their inclusion would reduce the loss per share for continuing operations.

10 GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill of £201.7 million was fully impaired in prior accounting periods and has a net book amount of £nil as at 1 October 2022 and 2 October 2021.

Other intangible assets

	Computer software £m
Cost	
At 3 October 2021	48.4
Additions	3.5
Net transfers to assets held for sale and disposals	(1.8)
At 1 October 2022	**50.1**
Amortisation	
At 3 October 2021	12.3
Charge for the period	4.4
Net transfers to assets held for sale and disposals	(1.7)
At 1 October 2022	**15.0**
Net book amount at 2 October 2021	**36.1**
Net book amount at 1 October 2022	**35.1**

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

10 GOODWILL AND OTHER INTANGIBLE ASSETS CONTINUED

	Computer software £m
Cost	
At 4 October 2020	41.6
Additions	7.5
Net transfers to assets held for sale and disposals	(0.7)
At 2 October 2021	**48.4**
Amortisation	
At 4 October 2020	9.1
Charge for the period	3.8
Net transfers to assets held for sale and disposals	(0.6)
At 2 October 2021	**12.3**
Net book amount at 3 October 2020	32.5
Net book amount at 2 October 2021	**36.1**

11 PROPERTY, PLANT AND EQUIPMENT

	Effective freehold land and buildings £m	**Leasehold land and buildings £m**	**Fixtures, fittings, tools and equipment £m**	**Total £m**
Cost or valuation				
At 3 October 2021	1,530.0	482.9	271.2	2,284.1
Additions	34.1	12.8	32.7	79.6
Disposals	(5.0)	(12.6)	(18.9)	(36.5)
Transfers between asset classes	49.0	(49.0)	–	–
Net transfers to assets held for sale	(0.8)	–	(0.1)	(0.9)
Revaluation	75.1	–	–	75.1
At 1 October 2022	**1,682.4**	**434.1**	**284.9**	**2,401.4**
Depreciation				
At 3 October 2021	0.1	157.2	142.6	299.9
Charge for the period	–	14.3	25.5	39.8
Disposals	(0.1)	(12.6)	(18.6)	(31.3)
Transfers between asset classes	13.0	(13.0)	–	–
Impairment (reversal)	(13.0)	(5.2)	0.2	(18.0)
At 1 October 2022	**–**	**140.7**	**149.7**	**290.4**
Net book amount at 2 October 2021	1,529.9	325.7	128.6	1,984.2
Net book amount at 1 October 2022	**1,682.4**	**293.4**	**135.2**	**2,111.0**

During the current period the Group purchased the options to buy the freehold of 17 leasehold properties at the end of the lease term for a nominal amount. These properties were transferred to effective freehold land and buildings in line with the Group's accounting policy.

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

11 PROPERTY, PLANT AND EQUIPMENT CONTINUED

	Effective freehold land and buildings £m	Leasehold land and buildings £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Total £m
Cost or valuation					
At 4 October 2020	1,625.6	392.0	0.1	278.7	2,296.4
Additions	20.2	96.1	–	12.3	128.6
Disposals	(12.7)	(5.2)	(0.1)	(19.5)	(37.5)
Net transfers to assets held for sale	(2.6)	–	–	(0.3)	(2.9)
Revaluation	(100.5)	–	–	–	(100.5)
At 2 October 2021	**1,530.0**	**482.9**	**–**	**271.2**	**2,284.1**
Depreciation					
At 4 October 2020	0.1	121.3	0.1	136.6	258.1
Charge for the period	0.1	13.6	–	25.2	38.9
Disposals	(0.1)	(4.7)	(0.1)	(19.1)	(24.0)
Net transfers to assets held for sale	–	–	–	(0.2)	(0.2)
Impairment	–	27.0	–	0.1	27.1
At 2 October 2021	**0.1**	**157.2**	**–**	**142.6**	**299.9**
Net book amount at 3 October 2020	1,625.5	270.7	–	142.1	2,038.3
Net book amount at 2 October 2021	**1,529.9**	**325.7**	**–**	**128.6**	**1,984.2**

The net book amount of land and buildings is split as follows:

	2022 £m	2021 £m
Freehold land and buildings	**1,507.7**	1,395.2
Leasehold land and buildings with a term greater than 100 years at acquisition/commencement	**174.7**	134.7
Leasehold land and buildings with a term less than 100 years at acquisition/commencement	**293.4**	325.7
	1,975.8	1,855.6

If the effective freehold land and buildings had not been revalued, the historical cost net book amount would be £1,183.7 million (2021: £1,102.3 million).

Cost at 1 October 2022 includes £8.5 million (2021: £3.1 million) of assets in the course of construction.

Interest costs of £0.2 million (2021: £nil) were capitalised in the period in respect of the financing of major projects. The capitalisation rate used was 6%.

The net profit on disposal of property, plant and equipment, intangible assets and properties classified as held for sale was £2.7 million (2021: loss of £1.1 million).

Capital expenditure authorised and committed at the period end but not provided for in the financial statements was £4.2 million (2021: £2.7 million).

The net book amount of effective freehold land and buildings held as part of sale and leaseback arrangements that do not fall within the scope of IFRS 16 'Leases' was £265.3 million (2021: £230.3 million).

The disaggregation of land and buildings into assets leased to tenants under operating leases and those held and used by the Group is as follows:

	2022			2021		
Effective freehold land and buildings	**Leased to tenants £m**	**Used by the Group £m**	**Total £m**	Leased to tenants £m	Used by the Group £m	Total £m
Cost or valuation	**201.2**	**1,481.2**	**1,682.4**	248.3	1,281.7	1,530.0
Depreciation	**–**	**–**	**–**	(0.1)	–	(0.1)
Net book amount	**201.2**	**1,481.2**	**1,682.4**	248.2	1,281.7	1,529.9

	2022			2021		
Leasehold land and buildings	**Leased to tenants £m**	**Used by the Group £m**	**Total £m**	Leased to tenants £m	Used by the Group £m	Total £m
Cost	**23.9**	**410.2**	**434.1**	25.2	457.7	482.9
Depreciation	**(8.3)**	**(132.4)**	**(140.7)**	(6.7)	(150.5)	(157.2)
Net book amount	**15.6**	**277.8**	**293.4**	18.5	307.2	325.7

The services provided to the tenants are considered to be significant to the arrangement as a whole such that the properties do not qualify as investment properties under IAS 40 'Investment Property'.

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

11 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Revaluation/impairment

At 3 July 2022 independent chartered surveyors revalued the Group's effective freehold properties on an open market value basis. During the current and prior period various assets were also reviewed for impairment and/or material changes in value. These valuation adjustments were recognised in the revaluation reserve or the income statement as appropriate.

	2022 £m	2021 £m
Income statement:		
Impairment	**(48.2)**	(104.0)
Reversal of past impairment	**69.8**	22.3
	21.6	(81.7)
Revaluation reserve:		
Unrealised revaluation surplus	**105.8**	59.1
Reversal of past revaluation surplus	**(34.3)**	(105.0)
	71.5	(45.9)
Net increase/(decrease) in shareholders' equity/property, plant and equipment	**93.1**	(127.6)

Fair value of effective freehold land and buildings

IFRS 13 'Fair Value Measurement' requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – inputs for the asset or liability that are not based on observable market data.

The tables below show the level in the fair value hierarchy into which the fair value measurements of effective freehold land and buildings have been categorised:

	2022			
Recurring fair value measurements	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Effective freehold land and buildings	**–**	**–**	**1,682.4**	**1,682.4**

	2021			
Recurring fair value measurements	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Effective freehold land and buildings	–	–	1,529.9	1,529.9

There are two inputs to the fair value measurement of the public house assets, being the fair maintainable trade (an unobservable Level 3 input) and the multiple applied (an indirectly observable Level 2 input). At 1 October 2022 and 2 October 2021 it was considered that the unobservable Level 3 input for the fair maintainable trade is a significant input to the valuation and as such Level 3 was the most appropriate categorisation for these fair value measurements. There were no transfers between categories during the period.

A reasonably possible increase of 10.0% in the multiple would increase the fair value by £178.3 million and a reasonably possible decrease of 10.0% in the multiple would decrease the fair value by £178.3 million. A reasonably possible increase of 4.0% in the fair maintainable trade would increase the fair value by £71.3 million and a reasonably possible decrease of 4.0% in the fair maintainable trade would decrease the fair value by £71.3 million. These are based on the top ends of observable multiples achieved in the market and historic movements in the average fair maintainable trade.

The Group's effective freehold land and buildings are revalued by external independent qualified valuers on an annual basis using open market values so that the carrying value of an asset does not differ significantly from its fair value at the balance sheet date. The annual valuations are determined via third-party inspection of approximately a third of the sites, and a desktop valuation of the remaining two-thirds of the sites, such that all sites are individually inspected every three years. The last external valuation of the Group's effective freehold land and buildings was performed as at 3 July 2022. The Group has an internal team of qualified valuers and at each reporting date the estate is reviewed for any indication of significant changes in value. Where this is the case internal valuations are performed on a basis consistent with those performed externally. The Group has concluded that the valuation as at 3 July 2022 does not differ materially from that which would have been determined using fair value as at 1 October 2022.

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

11 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Level 3 recurring fair value measurements	2022 £m	2021 £m
At beginning of the period	**1,529.9**	–
Additions	**34.1**	20.2
Transfers	**36.0**	1,625.5
Disposals	**(4.9)**	(12.6)
Net transfers to assets held for sale	**(0.8)**	(2.6)
Revaluation gains and losses recognised in profit or loss	**16.6**	(54.6)
Revaluation gains and losses recognised in other comprehensive income	**71.5**	(45.9)
Depreciation charge for the period	**–**	(0.1)
At end of the period	**1,682.4**	1,529.9

Revaluation gains and losses recognised in profit or loss in respect of Level 3 recurring fair value measurements are included within operating expenses in the income statement and comprise net unrealised gains of £16.6 million (2021: losses of £54.4 million) and net realised losses of £nil (2021: £0.2 million).

Impairment testing of leasehold properties

Leasehold properties, comprising leasehold land and buildings and associated fixtures, fittings, tools and equipment and computer software, are held under the cost model. These properties were reviewed for impairment in the current and prior period by comparing the recoverable amount of each property to the carrying amount of the assets. Recoverable amount is the higher of value in use and fair value less costs to sell. The key assumptions used in the value in use calculations were the future trading cash flows of the properties, a pre-tax discount rate of 10.3% (2021: 9.4%) and a long-term growth rate of 1.8% (2021: 1.5%).

Changes in these key assumptions could impact the impairment charge/reversal recognised for these assets. The future trading cash flows used in the value in use calculations are property level EBITDA less maintenance expenditure forecasts. If the forecast cash flows were to decline by 4.0% then there would be a £0.9 million increase in the impairment recognised. If the pre-tax discount rate were to increase by 2.0% it would increase the impairment by £2.6 million. If the long-term growth rate were to decrease by 0.5% it would increase the impairment by £0.9 million.

12 INTERESTS IN ASSOCIATES

On 30 October 2020 the Group acquired a 40% interest in Carlsberg Marston's Limited (formerly Carlsberg Marston's Brewing Company Limited), from which date it has been the sole supplier of drinks to the Group. The principal place of business of Carlsberg Marston's Limited (formerly Carlsberg Marston's Brewing Company Limited) is the UK.

The tables below summarise the financial information of Carlsberg Marston's Limited (formerly Carlsberg Marston's Brewing Company Limited) as included in its own financial statements for the period from 1 October 2021 to 30 September 2022, adjusting for fair value adjustments at acquisition and differences in accounting policies. The comparison is the period from 30 October 2020 to 30 September 2021.

	2022 £m	2021 £m
Non-current assets	**239.3**	264.2
Current assets	**299.5**	312.5
Current liabilities	**(360.4)**	(340.1)
Non-current liabilities	**(35.8)**	(45.8)
Net assets	**142.6**	190.8
Group's share of net assets (40%)	**57.0**	76.3
Goodwill	**203.9**	201.7
Elimination of unrealised profit on upstream sales	**(0.6)**	(0.6)
Carrying amount of interest in associate	**260.3**	277.4

	2022 £m	2021 £m
Revenue	**836.9**	628.6
Profit/(loss) from continuing operations	**8.2**	(34.8)
Other comprehensive expense	**(2.0)**	–
Total comprehensive income/(expense)	**6.2**	(34.8)
Group's share of profit/(loss) from continuing operations (40%)	**3.3**	(13.9)
Elimination of unrealised profit on upstream sales	**–**	(0.6)
Income/(loss) from associates recognised in the income statement	**3.3**	(14.5)
Group's share of other comprehensive expense (40%)	**(0.8)**	–
Group's share of total comprehensive income/(expense)	**2.5**	(14.5)

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

12 INTERESTS IN ASSOCIATES CONTINUED

Details of related party transactions with Carlsberg Marston's Limited (formerly Carlsberg Marston's Brewing Company Limited) are as follows:

	Transaction amount		Balance outstanding	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Purchase of goods	**(171.7)**	(84.4)	**(34.3)**	(42.4)
Rendering of services	**1.7**	4.3	**–**	0.5
Settlement of liabilities on behalf of associate	**121.8**	281.3	**(5.9)**	78.3
Dividends from associates	**19.4**	–	**–**	–
Receipt of cash on behalf of associate	**(249.7)**	(437.7)	**(0.5)**	(62.7)

There was a transitional services agreement in place between the Group and Carlsberg Marston's Limited (formerly Carlsberg Marston's Brewing Company Limited) whereby the transactions for Marston's Beer Company Limited continued to be processed through the Group's systems and bank accounts until 29 January 2022.

All outstanding balances are to be settled in cash within six months and are unsecured.

Carlsberg Marston's Limited (formerly Carlsberg Marston's Brewing Company Limited) operates in a sector that has been disproportionately impacted by COVID-19 and as such an impairment review was undertaken under IAS 36 'Impairment of Assets'. The recoverable amount was estimated on a value in use basis. This was based on forecast cash flows approved by the board of Carlsberg Marston's Limited (formerly Carlsberg Marston's Brewing Company Limited), a long-term growth rate of 1.8% and a discount rate of 7.1%. The impairment review indicated there was significant headroom over the carrying amount. No reasonably possible change in the assumptions used would have resulted in an impairment.

13 OTHER NON-CURRENT ASSETS

	2022 £m	2021 £m
Finance lease receivables	**17.9**	15.9

Further detail regarding the impairment of finance lease receivables is provided in note 25.

14 DEFERRED TAX

Deferred tax is calculated on temporary differences between tax bases of assets and liabilities and their carrying amounts under the liability method using a tax rate of 25% (2021: 25%). The movement on the deferred tax accounts is shown below:

Net deferred tax liability/(asset)	**2022 £m**	2021 £m
At beginning of the period	**(47.6)**	(16.7)
Charged/(credited) to the income statement:		
Continuing operations	**24.9**	(42.3)
Discontinued operations	**–**	(0.7)
Charged/(credited) to equity:		
Impairment and revaluation of properties	**14.7**	9.8
Hedging reserve	**10.2**	(1.7)
Retirement benefits	**5.8**	2.5
Classified as held for sale and disposals	**–**	1.5
At end of the period	**8.0**	(47.6)

Recognised in the balance sheet	**2022 £m**	2021 £m
Deferred tax liabilities (after offsetting)	**8.0**	–
Deferred tax assets (after offsetting)	**–**	(47.6)
	8.0	(47.6)

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12 'Income Taxes') during the period are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

14 DEFERRED TAX CONTINUED

Deferred tax liabilities	Pensions £m	Accelerated capital allowances £m	Revaluation of properties £m	Rolled over capital gains £m	Other £m	Total £m
At 3 October 2021	–	30.6	37.6	7.4	5.0	80.6
Charged/(credited) to the income statement	–	15.1	3.4	(2.8)	(5.0)	10.7
Charged to equity	3.8	–	14.9	–	–	18.7
At 1 October 2022	**3.8**	**45.7**	**55.9**	**4.6**	**–**	**110.0**

Deferred tax assets	Pensions £m	Tax losses £m	Interest rate swaps £m	Other £m	Total £m
At 3 October 2021	(3.6)	(49.4)	(41.3)	(33.9)	(128.2)
Charged/(credited) to the income statement	1.6	(8.0)	27.2	(6.6)	14.2
Charged/(credited) to equity	2.0	–	10.2	(0.2)	12.0
At 1 October 2022	**–**	**(57.4)**	**(3.9)**	**(40.7)**	**(102.0)**

Net deferred tax liability/(asset)	
At 2 October 2021	(47.6)
At 1 October 2022	**8.0**

Deferred tax liabilities	Accelerated capital allowances £m	Revaluation of properties £m	Rolled over capital gains £m	Other £m	Total £m
At 4 October 2020	26.3	38.2	7.4	–	71.9
Charged/(credited) to the income statement	3.2	(10.4)	–	5.0	(2.2)
Charged to equity	–	9.8	–	–	9.8
Classified as held for sale and disposals	1.1	–	–	–	1.1
At 2 October 2021	**30.6**	**37.6**	**7.4**	**5.0**	**80.6**

Deferred tax assets	Pensions £m	Tax losses £m	Interest rate swaps £m	Other £m	Total £m
At 4 October 2020	(7.0)	(29.7)	(41.0)	(10.9)	(88.6)
Charged/(credited) to the income statement	0.9	(20.5)	1.4	(22.6)	(40.8)
Charged/(credited) to equity	2.5	–	(1.7)	–	0.8
Classified as held for sale and disposals	–	0.8	–	(0.4)	0.4
At 2 October 2021	**(3.6)**	**(49.4)**	**(41.3)**	**(33.9)**	**(128.2)**

Net deferred tax asset	
At 3 October 2020	(16.7)
At 2 October 2021	**(47.6)**

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences where it is probable that these assets will be recovered.

Determining the recoverability of the deferred tax asset in respect of trading items requires judgements to be made about the future profitability of the Group. The Group generated significant tax losses in prior periods due to the impact of COVID-19 on its business operations, including enforced pub closures and restrictions on trading. The base case forecast from the going concern assessment set out in note 1 was used to forecast future taxable profits and allowing for a range of reasonably possible outcomes it is estimated that the deferred tax asset in respect of trading items will be recovered within a period of five years. As such it has been recognised in full.

A deferred tax asset has not been recognised in respect of deductible temporary differences relating to capital losses of £39.1 million (2021: £73.2 million) due to uncertainty over its future recoverability.

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

15 RETIREMENT BENEFITS

During the period the Group contributed to a funded defined benefit pension plan and a number of defined contribution pension plans. These plans are considered to be related parties of the Group.

Defined contribution plans

Pension costs for defined contribution plans are as follows:

	2022 £m	2021 £m
Defined contribution plans	**6.3**	6.1

Defined benefit plan

The Marston's PLC Pension and Life Assurance Scheme is a final salary pension plan which provides benefits to members in the form of a guaranteed level of pension payable for life. The plan closed to future accrual on 30 September 2014 and the link to future salary increases was also removed.

The plan operates under the UK regulatory framework and is governed by a board of Trustees composed of plan participants and representatives of the Group. The Trustees make investment decisions and set the required contribution rates based on independent actuarial advice.

The Group's balance sheet date of 1 October 2022 is a Saturday and, accordingly, the fair value of plan assets have been calculated as at 30 September 2022. There were no significant transactions between the respective reporting dates.

The key risks to which the plan exposes the Group are as follows:

Volatility of plan assets
Assets held by the plan are invested in a diversified portfolio of equities, bonds and other assets. Volatility in asset values will lead to movements in the net defined benefit asset/liability reported in the balance sheet as well as movements in the net interest on the net defined benefit asset/liability reported in the income statement.

Changes in bond yields
Corporate bond yields are used to determine the plan's defined benefit obligation. Lower yields will lead to an increased defined benefit obligation. Increases in the defined benefit obligation will be partly offset by an increase in the value of government and corporate bonds held by the plan.

Inflation risk
A large proportion of the plan's obligations are linked to inflation. Higher inflation will lead to an increased defined benefit obligation. Increases in the defined benefit obligation will be partly offset by an increase in inflation linked assets held by the plan.

Changes in life expectancy
An increase in the life expectancy of members will result in benefits being paid out for longer, leading to an increase in the defined benefit obligation.

The movements in the fair value of plan assets and the present value of the defined benefit obligation during the period were:

	Fair value of plan assets		Present value of defined benefit obligation		Net surplus/ (deficit)	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
At beginning of the period	**527.8**	531.1	**(542.2)**	(568.3)	**(14.4)**	(37.2)
Past service cost	**–**	–	**–**	(0.5)	**–**	(0.5)
Interest income/(expense)	**10.4**	8.9	**(10.6)**	(9.5)	**(0.2)**	(0.6)
Remeasurements:						
Return on plan assets (excluding interest income)	**(147.3)**	3.2	**–**	–	**(147.3)**	3.2
Effect of changes in financial assumptions	**–**	–	**181.5**	5.1	**181.5**	5.1
Effect of changes in demographic assumptions	**–**	–	**0.7**	(0.8)	**0.7**	(0.8)
Effect of experience adjustments	**–**	–	**(11.6)**	9.9	**(11.6)**	9.9
Cash flows:						
Employer contributions	**7.3**	7.5	**–**	–	**7.3**	7.5
Administrative expenses paid from plan assets	**(0.9)**	(1.0)	**–**	–	**(0.9)**	(1.0)
Benefits paid	**(22.7)**	(21.9)	**22.7**	21.9	**–**	–
At end of the period	**374.6**	527.8	**(359.5)**	(542.2)	**15.1**	(14.4)

Pension costs recognised in the income statement

A charge of £nil (2021: £0.5 million) comprising the past service cost is included within employee costs, a charge of £0.2 million (2021: £0.6 million) comprising the net interest on the net defined benefit asset/liability is included within finance costs and a charge of £0.9 million (2021: £1.0 million) comprising the administrative expenses paid from plan assets is included within finance costs.

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

15 RETIREMENT BENEFITS CONTINUED

On 26 October 2018 a High Court ruling indicated that Guaranteed Minimum Pensions must be equalised for men and women. On 20 November 2020 a further High Court ruling indicated that historic cash equivalent transfer values that were calculated on an unequalised basis should be topped up if an affected member makes a successful claim. This additional requirement was reflected in the calculation of the Group's net defined benefit asset/liability in the prior period and the resulting additional past service cost of £0.5 million was classified as a non-underlying[1] item (note 4).

Recognition of net defined benefit asset

The Group has the ability to recognise a pension surplus from the defined benefit pension plan (measured under IAS 19 'Employee Benefits') in the current year as the Scheme Rules provide the Group with an unconditional right to a refund of a surplus once the last benefit has been paid to the last scheme member. It is considered that contributions payable under a minimum funding requirement would be available as a refund or reduction in future contributions after they are paid into the plan. As such where the fair value of plan assets exceeds the present value of the defined benefit obligation, the Group recognises an asset at the lower of the fair value of plan assets less the present value of the defined benefit obligation, and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

An updated actuarial valuation of the plan was performed by Mercer as at 1 October 2022 for the purposes of IAS 19 'Employee Benefits'. The principal assumptions made by the actuaries were:

	2022	2021
Discount rate	**5.2%**	2.0%
Rate of increase in pensions – 5% LPI	**3.2%**	3.2%
Rate of increase in pensions – 2.5% LPI	**2.1%**	2.1%
Inflation assumption (RPI)	**3.5%**	3.4%
Inflation assumption (CPI)	**2.8%**	2.6%
Employed deferred revaluation	**2.8%**	2.6%
Life expectancy for deferred members from age 65 (years)		
Male	**22.7**	22.7
Female	**25.4**	25.4
Life expectancy for current non-insured pensioners from age 65 (years)		
Male	**20.9**	20.9
Female	**23.6**	23.6
Life expectancy for current insured pensioners from age 65 (years)		
Male	**21.6**	21.6
Female	**24.0**	23.9

Following the September 2022 Mini Budget, a period of market volatility in the weeks preceding the balance sheet date was observed, particularly in the UK bond/gilt markets. All assumptions made within the actuarial valuation of the plan took into consideration market conditions as at 1 October 2022.

To counteract the high levels of inflation and fall in the value of sterling following the September 2022 Mini Budget, the Bank of England signalled future increases in interest rates. This expectation of future increases in interest rates led to significant falls in the value of fixed interest investments (such as gilts and corporate bonds) with corresponding increases in yields. The Marston's PLC Pension and Life Assurance Scheme uses Liability Driven Investment strategies (LDIs) which use a combination of gilts, cash and derivatives to hedge long-term interest and inflation risks. The pension plan met collateral calls required for the LDI investments through a number of disinvestments. The hedge ratios remain in line with the target.

Mortality assumptions are based on standard tables adjusted for plan experience and with an allowance for future improvement in life expectancy. These assumptions have not been adjusted for the impact of COVID-19 given the uncertainty over the long-term impact of the pandemic.

The sensitivity of the defined benefit obligation to changes in the principal actuarial assumptions is:

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 5.5%	Increase by 6.1%
Inflation assumption	0.25%	Increase by 2.4%	Decrease by 2.3%
Life expectancy	One year	Increase by 4.4%	Decrease by 4.2%

This discount rate sensitivity has increased to 0.50% (2021: 0.25%) as a result of the volatile macroeconomic conditions experienced in the financial period ended 1 October 2022 which led to unprecedented increases in UK gilt and bond yields.

The above sensitivity analyses have been determined by changing one assumption while holding all other assumptions constant. In practice, interrelationships exist between the assumptions, particularly between the discount rate and price inflation. The stand-alone sensitivity analyses noted above do not consider the effect of these interrelationships. Any movements in obligations arising from assumption changes are likely to be accompanied by movements in asset values, and so the impact on the net defined benefit asset may be different to the impact on the obligation calculated by the sensitivity analysis.

When calculating the above sensitivities the same method has been applied as when calculating the net defined benefit asset/liability in the balance sheet i.e. the present value of the defined benefit obligation calculated using the Projected Unit Credit Method.

1 Alternative performance measures (APMs) are defined and reconciled to a statutory equivalent in the Glossary on page 167.

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

15 RETIREMENT BENEFITS CONTINUED

Plan assets	2022 £m	2021 £m
Equities	**45.9**	94.2
Bonds/Gilts	**92.3**	116.7
Cash/Other	**62.2**	75.3
Buy-in policies (matching annuities)	**174.2**	241.6
	374.6	527.8

All equities and bonds have an unadjusted quoted price in active markets for identical assets. Equities and bonds are valued at Level 1 in the fair value hierarchy. The plan holds £170.1 million of pooled investments with BlackRock, M&G, Insight and Ruffer which are valued using inputs that reflect the assumptions that market participants would use in pricing the asset based on market data from independent sources. The pooled investment vehicles are primarily valued at Level 2 in the fair value hierarchy, £7.4 million of the pooled investment vehicles are valued at Level 3 in the fair value hierarchy. Unquoted investments are held with Ruffer and valued on a monthly basis. The latest audited valuation of the unquoted investments was performed as at 31 August 2022 and a roll forward using market indices was performed to provide a valuation as at 1 October 2022. The plan includes insurance policies which are valued using the Group's own assessment of the assumptions market participants would use in pricing the asset, based on the best information available. The insurance policies are valued at Level 3 in the fair value hierarchy.

The actual return on plan assets was a loss of £136.9 million (2021: a gain of £12.1 million). A proportion of the defined benefit obligation has been secured by buy-in policies and as such this proportion of liabilities is matched by annuities. The Trustees of the plan hold a range of assets and are aiming to better align the cash flows from these to those of the plan. They are also working with the Group to de-risk their portfolio further.

The Group is aiming to eliminate the plan's funding deficit in the medium term. A schedule of contributions was agreed as part of the 30 September 2020 triennial valuation and contributions of £0.5 million per month are payable until 30 November 2025. Contributions are also payable in respect of the plan's expenses. The next triennial valuation will be performed as at 30 September 2023.

The employer contributions expected to be paid during the financial period ending 30 September 2023 amount to £8.0 million.

The weighted average duration of the defined benefit obligation is 12 years (2021: 16 years).

Post-retirement medical benefits

A gain of £nil (2021: £0.1 million) in respect of the remeasurement of post-retirement medical benefits has been included in the statement of comprehensive income.

16 DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate swaps	2022 £m	2021 £m
Non-current assets	**1.8**	–
Current assets	**3.3**	–
Non-current liabilities	**(25.5)**	(170.5)
	(20.4)	(170.5)

Details of the Group's interest rate swaps are provided in note 25.

17 INVENTORIES

	2022 £m	2021 £m
Raw materials and consumables	**3.8**	3.2
Finished goods	**8.8**	9.7
	12.6	12.9

18 TRADE AND OTHER RECEIVABLES

	2022 £m	2021 £m
Trade receivables	**11.2**	9.4
Prepayments and accrued income	**15.6**	8.7
Finance lease receivables	**1.8**	2.5
Contingent consideration	**–**	28.9
Other receivables	**1.5**	2.8
	30.1	52.3

Further detail regarding the impairment of trade receivables, finance lease receivables and other receivables is provided in note 25. Further detail regarding the fair value measurement of the contingent consideration is provided in note 25. All of the Group's trade receivables are denominated in pounds sterling.

At 1 October 2022 the value of collateral held in the form of cash deposits was £5.6 million (2021: £5.6 million).

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

19 ASSETS HELD FOR SALE

	2022 £m	2021 £m
Properties	**4.8**	5.1

In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', properties categorised as held for sale have been written down to their fair value less costs to sell if this was below their carrying amount. This is a non-recurring fair value measurement falling within Level 2 of the fair value hierarchy. These Level 2 fair values have been obtained using a market approach and are derived from sales prices in recent transactions involving comparable properties.

During the current and prior period, all properties classified as held for sale were reviewed for impairment or reversal of impairment. This review identified an impairment of £0.3 million (2021: £1.8 million) and a reversal of impairment of £0.6 million (2021: nil) which have been recognised in the income statement.

20 BORROWINGS

Current	2022 £m	2021 £m
Bank borrowings	**(0.7)**	(0.7)
Securitised debt	**39.0**	36.9
Lease liabilities	**11.2**	6.7
Other lease related borrowings	**(0.4)**	(0.4)
Other borrowings	**15.0**	25.0
	64.1	67.5

Non-current	2022 £m	2021 £m
Bank borrowings	**214.6**	188.9
Securitised debt	**601.3**	640.3
Lease liabilities	**366.6**	364.9
Other lease related borrowings	**338.0**	337.6
Other borrowings	**40.0**	40.0
Preference shares	**0.1**	0.1
	1,560.6	1,571.8

All bank borrowings are unsecured.

Other lease related borrowings represent amounts due under sale and leaseback arrangements that do not fall within the scope of IFRS 16 'Leases'. The Group has an option to repurchase each leased property for a nominal amount at the end of the lease. The leases have terms of 35 to 40 years and rents which are linked to RPI, subject to a cap and collar.

The Group has 75,000 (2021: 75,000) preference shares of £1 each in issue at the balance sheet date. The preference shares carry the right to a fixed cumulative preferential dividend at the rate of 6% per annum (they are also entitled to a non-cumulative dividend of 1% per annum provided that dividends of not less than £24,000 have been paid on the ordinary shares in that year). They participate in the event of a winding-up and on a return of capital and carry the right to attend and vote at general meetings of the Company, carrying four votes per share.

All of the Group's borrowings are denominated in pounds sterling. There were no instances of default, including covenant terms, in either the current or prior period. The Group obtained certain covenant waivers from its lenders in the current and prior period as a result of the COVID-19 outbreak.

Maturity of borrowings

The maturity profile of the carrying amount of the Group's borrowings at the period end was as follows:

	2022			2021		
Due:	Gross borrowings £m	Unamortised issue costs £m	Net borrowings £m	Gross borrowings £m	Unamortised issue costs £m	Net borrowings £m
Within one year	**65.6**	**(1.5)**	**64.1**	69.0	(1.5)	67.5
In more than one year but less than two years	**266.8**	**(1.2)**	**265.6**	47.9	(1.7)	46.2
In more than two years but less than five years	**211.8**	**(2.7)**	**209.1**	392.7	(3.0)	389.7
In more than five years	**1,108.6**	**(22.7)**	**1,085.9**	1,159.4	(23.5)	1,135.9
	1,652.8	**(28.1)**	**1,624.7**	1,669.0	(29.7)	1,639.3

NOTES CONTINUED
For the 52 weeks ended 1 October 2022

20 BORROWINGS CONTINUED

Fair value of borrowings

The carrying amount and the fair value of the Group's borrowings are as follows:

	Carrying amount		Fair value	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Bank borrowings	**215.0**	190.0	**215.0**	190.0
Securitised debt	**643.2**	680.6	**556.7**	614.7
Lease liabilities	**377.8**	371.6	**377.8**	371.6
Other lease related borrowings	**361.7**	361.7	**361.7**	361.7
Other borrowings	**55.0**	65.0	**55.0**	65.0
Preference shares	**0.1**	0.1	**0.1**	0.1
	1,652.8	1,669.0	**1,566.3**	1,603.1

The fair value of the Group's securitised debt is based on quoted market prices and is within Level 1 of the fair value hierarchy. The fair values of all of the Group's other borrowings approximate to their carrying amounts and are within Level 2 of the fair value hierarchy.

The Group's sources of funding include its securitised debt, a £280.0 million bank facility available until 2024, of which £215.0 million was drawn at 1 October 2022, a £40.0 million private placement in place until 2024, and a £5.0 million seasonal overdraft facility which extends to £20.0 million from 25 January to 6 May and 1 July to 12 August each year.

21 SECURITISED DEBT

On 9 August 2005 £805.0 million of secured loan notes were issued in connection with the securitisation of 1,592 of the Group's pubs held in Marston's Pubs Limited. On 22 November 2007, a further £330.0 million of secured loan notes (tranches A4 and AB1) were issued in connection with the securitisation of an additional 437 of the Group's pubs, also held in Marston's Pubs Limited. The loan notes are secured over the properties and their future income streams and were issued by Marston's Issuer PLC, a special purpose entity. On 15 January 2014 all of the AB1 notes were repurchased by the Group at par and immediately cancelled.

The carrying value of the securitised pubs at 1 October 2022 was £1,166.7 million (2021: £1,112.3 million).

The securitisation is governed by various covenants, warranties and events of default, many of which apply to Marston's Pubs Limited. These include covenants regarding the maintenance and disposal of securitised properties and restrictions on the ability to move cash to other companies within the Group. The Group had in place certain covenant waivers from its bondholders in the current and prior period as a result of the COVID-19 outbreak.

The tranches of securitised debt have the following principal terms:

Tranche	**2022 £m**	2021 £m	Interest	Principal repayment period – by instalments	Expected average life	Expected maturity date
A2	**157.3**	183.9	Fixed/floating	2022 to 2027	5 years	2027
A3	**200.0**	200.0	Fixed/floating	2027 to 2032	10 years	2032
A4	**130.9**	141.7	Floating	2022 to 2031	9 years	2031
B	**155.0**	155.0	Fixed/floating	2032 to 2035	13 years	2035
	643.2	680.6				

The interest payable on each tranche is as follows:

Tranche	Before step up	After step up	Step up date
A2	5.1576%	SONIA + 0.1193% + 1.32%	July 2019
A3	5.1774%	SONIA + 0.1193% + 1.45%	April 2027
A4	3-month LIBOR + 0.65%	SONIA + 0.1193% + 1.625%	October 2012
B	5.6410%	SONIA + 0.1193% + 2.55%	July 2019

The Group agreed with its bondholders to replace 3-month LIBOR with the compounded Sterling Overnight Index Average (SONIA) plus 0.1193% after the discontinuance of LIBOR.

All floating rate notes are economically hedged in full by the Group using interest rate swaps whereby all interest payments are swapped to fixed interest payable.

At 1 October 2022 Marston's Pubs Limited held cash of £21.0 million (2021: £25.8 million), which was governed by certain restrictions under the covenants associated with the securitisation. In addition, Marston's Issuer PLC held cash of £0.1 million (2021: £0.1 million).

22 TRADE AND OTHER PAYABLES

	2022 £m	2021 £m
Trade payables	**95.5**	109.0
Other taxes and social security	**25.1**	32.3
Accruals and deferred income	**71.3**	65.3
Other payables	**12.5**	14.1
	204.4	220.7

The Group has deferred VAT payments of £nil (2021: £15.9 million) under the UK government's scheme for the deferral of VAT payments due to COVID-19.

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For the 52 weeks ended 1 October 2022

23 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Property leases	2022 £m	2021 £m
At beginning of the period	**11.1**	8.8
Released in the period	**(7.0)**	(0.2)
Provided in the period	**0.9**	3.7
Unwinding of discount	**0.1**	0.1
Utilised in the period	**(0.8)**	(1.3)
At end of the period	**4.3**	11.1

Recognised in the balance sheet	2022 £m	2021 £m
Current liabilities	**1.0**	1.5
Non-current liabilities	**3.3**	9.6
	4.3	11.1

Payments are expected to continue for periods of 1 to 47 years (2021: 1 to 48 years). There is not considered to be any significant uncertainty regarding the amount and timing of these payments.

24 OTHER NON-CURRENT LIABILITIES

	2022 £m	2021 £m
Other liabilities	**6.5**	5.5

25 FINANCIAL INSTRUMENTS

Financial instruments by category

At 1 October 2022	Assets at fair value through profit or loss £m	Assets at amortised cost £m	Total £m
Assets as per the balance sheet			
Derivative financial instruments	5.1	–	5.1
Finance lease receivables (before provision)	–	23.5	23.5
Trade receivables (before provision)	–	11.9	11.9
Other receivables (before provision)	–	2.8	2.8
Other cash deposits	–	3.0	3.0
Cash and cash equivalents	–	27.7	27.7
	5.1	**68.9**	**74.0**

At 1 October 2022	Derivatives used for hedging £m	Liabilities at fair value through profit or loss £m	Other financial liabilities £m	Total £m
Liabilities as per the balance sheet				
Derivative financial instruments	5.3	20.2	–	25.5
Borrowings	–	–	1,624.7	1,624.7
Trade payables	–	–	95.5	95.5
Other payables	–	–	12.5	12.5
	5.3	**20.2**	**1,732.7**	**1,758.2**

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For the 52 weeks ended 1 October 2022

25 FINANCIAL INSTRUMENTS CONTINUED

At 2 October 2021	Assets at fair value through profit or loss £m	Assets at amortised cost £m	Total £m
Assets as per the balance sheet			
Contingent consideration	28.9	–	28.9
Finance lease receivables (before provision)	–	22.3	22.3
Trade receivables (before provision)	–	10.2	10.2
Other receivables (before provision)	–	11.2	11.2
Other cash deposits	–	3.2	3.2
Cash and cash equivalents	–	32.2	32.2
	28.9	**79.1**	**108.0**

At 2 October 2021	Derivatives used for hedging £m	Liabilities at fair value through profit or loss £m	Other financial liabilities £m	Total £m
Liabilities as per the balance sheet				
Derivative financial instruments	35.6	134.9	–	170.5
Borrowings	–	–	1,639.3	1,639.3
Trade payables	–	–	109.0	109.0
Other payables	–	–	14.1	14.1
	35.6	**134.9**	**1,762.4**	**1,932.9**

Fair values of financial instruments

The only financial instruments which the Group holds at fair value are contingent consideration and derivative financial instruments, which are classified as at fair value through profit or loss or derivatives used for hedging.

IFRS 13 'Fair Value Measurement' requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – inputs for the asset or liability that are not based on observable market data.

The tables below show the level in the fair value hierarchy into which fair value measurements have been categorised:

	2022			
Assets as per the balance sheet	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Derivative financial instruments	–	**5.1**	–	**5.1**

	2022			
Liabilities as per the balance sheet	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Derivative financial instruments	–	**25.5**	–	**25.5**

	2021			
Assets as per the balance sheet	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Contingent consideration	–	28.9	–	28.9

	2021			
Liabilities as per the balance sheet	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial instruments	–	170.5	–	170.5

There were no transfers between Levels 1, 2 and 3 fair value measurements during the current or prior period.

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For the 52 weeks ended 1 October 2022

25 FINANCIAL INSTRUMENTS CONTINUED

The Level 2 fair values of derivative financial instruments have been obtained using a market approach and reflect the estimated amount the Group would expect to pay or receive on termination of the instruments, adjusted for the Group's own credit risk. The Group utilises valuations from counterparties who use a variety of assumptions based on market conditions existing at each balance sheet date. The fair values are highly sensitive to the inputs to the valuations, such as discount rates, analysis of credit risk and yield curves. The range of estimation uncertainty arising from these valuation inputs is considered to be up to £133.8 million, the largest movement observed over the last three periods.

The Level 2 fair value of contingent consideration was obtained using a market approach and reflected the estimated amount the Group expected to receive. There was an agreed formula for the amount of contingent consideration to be received which referenced the recovery of the share price performance as at 30 October 2021 of a pre-agreed basket of companies to pre-COVID-19 levels. The final agreed consideration value calculated at 30 October 2021 was £28.2 million.

The fair values of all the Group's other financial instruments are equal to their book values, with the exception of borrowings (note 20). The carrying amount less impairment provision of finance lease receivables, trade receivables and other receivables, and the carrying amount of other cash deposits, cash and cash equivalents, trade payables and other payables, are assumed to approximate their fair values.

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and foreign currency risk), counterparty risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department under policies approved by the Board. The treasury department identifies, evaluates and hedges financial risks. The Board sets principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk, investment of excess liquidity and use of derivative and non-derivative financial instruments.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates, and as such the Group's interest rate risk arises from its borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing, and hedging. Based on these scenarios, the Group calculates the impact on the income statement of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises borrowings at floating rates and will often swap them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract and floating rate interest amounts calculated by reference to the agreed notional amounts.

If interest rates had been 0.5% higher/lower during the period ended 1 October 2022, with all other variables held constant, the post-tax profit for the period would have been £0.7 million (2021: £0.5 million) lower/higher as a result of higher/lower interest expense.

Interest rate swaps designated as part of a hedging relationship

The Group uses interest rate swaps to fix the interest rate payable on the floating rate tranches of its securitised debt. The interest rate swap in respect of the A4 tranche of securitised debt was designated as part of a hedging relationship in the current and prior period.

This interest rate swap has the same critical terms as the associated securitised debt including reset dates, payment dates, maturities and notional amounts (note 21). The economic relationship between the forecast floating rate interest payments and the interest rate swap is determined and assessed through quantitative hedge effectiveness calculations performed at each reporting date, and upon a significant change in the circumstances affecting the hedge effectiveness requirements. As the interest rate swap has a notional amount profile the same as that of the principal amount profile of the securitised debt on which the floating rate interest is paid the hedge ratio is 1:1. Sources of ineffectiveness that might affect the hedging relationship are the Group's own credit risk, changes in the timing and amount of the interest payments and the recouponing of the swap from a single fixed rate to a stepped profile.

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For the 52 weeks ended 1 October 2022

25 FINANCIAL INSTRUMENTS CONTINUED

The fixed rate of this interest rate swap at 1 October 2022 was 6.0% (2021: 6.0%).

Interest rate swaps designated as part of a hedging relationship	2022 £m	2021 £m
Carrying amount of hedging instruments (included within derivative financial instruments)	**5.3**	35.6
Change in fair value of hedging instruments used as the basis for recognising hedge ineffectiveness in the period	**(22.6)**	(3.5)
Nominal amount of hedging instruments	**130.9**	141.7
Change in fair value of hedged items used as the basis for recognising hedge ineffectiveness in the period	**23.9**	5.9
Hedging reserve balance in respect of continuing hedges	**(0.3)**	(22.9)
Hedging reserve balance in respect of discontinued hedges	**(50.4)**	(58.5)
Hedging gains recognised in other comprehensive income	**23.9**	5.9
Hedge ineffectiveness losses recognised in profit or loss	**(1.3)**	(2.4)
Amount reclassified from the hedging reserve to profit or loss in respect of continuing hedges	**6.2**	7.2
Amount reclassified from the hedging reserve to profit or loss in respect of discontinued hedges	**10.8**	12.5

Hedging reserve	2022 £m	2021 £m
At beginning of the period	**(81.4)**	(108.7)
Hedging gains recognised in other comprehensive income	**23.9**	5.9
Amount reclassified from the hedging reserve to profit or loss	**17.0**	19.7
Deferred tax on hedging reserve movements	**(10.2)**	1.7
At end of the period	**(50.7)**	(81.4)

Interest rate swaps not designated as part of a hedging relationship

On 22 March 2012 the Group entered into two forward starting interest rate swaps of £60.0 million each to fix the interest rate payable on the Group's bank borrowings. The final termination date of one of the swaps is 30 June 2031 with fixed interest at 2.8% until 30 November 2020 and 4.0% thereafter. This swap has an early termination date of 30 March 2024. The other swap with fixed interest at 3.9% was terminated on 2 November 2020.

On 30 October 2017 the Group entered into a forward starting interest rate swap of £60.0 million to fix the interest rate payable on the Group's bank borrowings. This interest rate swap fixes interest at 2.2% and commences on 30 April 2025. There are early termination dates of 30 October 2022 and 1 November 2027. The final termination date is 30 April 2029. Subsequent to the balance sheet date, amendments to the terms of this interest rate swap were agreed; the early termination date of 30 October 2022 was removed, the commencement date was brought forward to 30 October 2022 and the rate at which interest is fixed was increased to 3.5%.

On 27 March 2019 the Group recouponed the interest rate swap that fixes the interest rate payable on the floating rate elements of its A2, A3 and B securitised notes. As a result, the hedging relationship between this interest rate swap and the associated debt ceased to meet the qualifying criteria for hedge accounting. The cumulative hedging loss existing in equity at 27 March 2019 remained in equity and is being recognised when the forecast transactions are ultimately recognised in the income statement. Fair value movements in respect of this interest rate swap after 27 March 2019 are being recognised within the income statement.

The interest rate risk profile, after taking account of derivative financial instruments, is as follows:

	2022			2021		
	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Total £m	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Total £m
Borrowings	**531.7**	**1,121.1**	**1,652.8**	516.7	1,152.3	1,669.0

The weighted average interest rate of the fixed rate borrowings was 5.2% (2021: 5.2%) and the weighted average period for which the rate is fixed was 14 years (2021: 15 years).

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks has been undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform').

The Group has transitioned its borrowings and interest rate swaps (which were indexed to LIBOR) to Sterling Overnight Index Average (SONIA) rates with a credit spread. The Group applies the amendments to IFRS 9 'Financial Instruments' to those financial instruments and hedging relationships directly affected by IBOR reform. The Group accounted for the change to SONIA using the practical expedient introduced by the Interest Rate Benchmark Reform Phase 2 amendments, which allows the Group to change the basis for determining the contractual cash flows prospectively by revising the effective interest rate.

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For the 52 weeks ended 1 October 2022

25 FINANCIAL INSTRUMENTS CONTINUED

Foreign currency risk
The Group buys and sells goods denominated in non-sterling currencies, principally US dollars, Canadian dollars and euros. As a result, movements in exchange rates can affect the value of the Group's income and expenditure. The Group's exposure in this area is not considered to be significant.

Counterparty risk
The Group's counterparty risk in respect of its cash and cash equivalents and other cash deposits is mitigated by the use of various banking institutions for its deposits.

There is no significant concentration of counterparty risk in respect of the Group's pension assets, as these are held with a range of institutions.

Credit risk
Credit risk is managed on a Group basis. Credit risk arises from credit exposure to customers, including outstanding receivables and committed transactions. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, an assessment is made of the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual credit limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of and adherence to credit limits is regularly monitored.

The financial assets of the Group which are subject to the expected credit loss model under IFRS 9 'Financial Instruments' comprise finance lease receivables, trade receivables and other receivables. Other cash deposits and cash and cash equivalents are also subject to the impairment requirements of IFRS 9 however the impairment loss is immaterial.

Finance lease receivables, trade receivables and other receivables have been grouped as set out below for the purpose of calculating the expected credit losses:

	Gross		Loss allowance	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Finance lease receivables				
Net investment in the lease	**23.5**	22.3	**3.8**	3.9
	23.5	22.3	**3.8**	3.9
Trade receivables				
Amounts due from current pub tenants	**2.7**	3.5	**0.4**	0.6
Miscellaneous trade receivables	**9.2**	6.7	**0.3**	0.2
	11.9	10.2	**0.7**	0.8
Other receivables				
Amounts due from previous pub tenants	**1.1**	8.4	**1.1**	8.2
Amounts due from other property tenants	**0.7**	1.0	**0.1**	0.1
Miscellaneous other receivables	**1.0**	1.8	**0.1**	0.1
	2.8	11.2	**1.3**	8.4
	38.2	43.7	**5.8**	13.1

Expected credit losses have been calculated as follows:

	Gross		Loss allowance	
	2022 £m	2021 £m	**2022 £m**	2021 £m
12-month expected credit losses	**1.0**	1.8	**0.1**	0.1
Lifetime expected credit losses for trade and lease receivables	**37.2**	41.9	**5.7**	13.0
	38.2	43.7	**5.8**	13.1

Finance lease receivables
Finance lease receivables are lease receivables that result from transactions that are within the scope of IFRS 16 'Leases' and as such the loss allowance is calculated as the lifetime expected credit losses. For tenants where it is considered that there is a significant risk of default the expected credit losses are calculated on an individual basis taking into account the circumstances involved. For all other tenants, after accounting for collateral held in the form of cash deposits and the value of the leased asset itself, the remaining balance due is low and as such the expected credit losses are minimal.

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

25 FINANCIAL INSTRUMENTS CONTINUED

Amounts due from pub tenants

Amounts due from current pub tenants result almost entirely from transactions that are within the scope of IFRS 15 'Revenue from Contracts with Customers' or are lease receivables that result from transactions that are within the scope of IFRS 16, and as such the loss allowance is calculated as the lifetime expected credit losses. After accounting for collateral held in the form of cash deposits the remaining balance due is low and as such the expected credit losses are minimal.

Amounts due from previous pub tenants predominantly result from transactions that are within the scope of IFRS 15 or are lease receivables that result from transactions that are within the scope of IFRS 16 and as such the loss allowance is calculated as the lifetime expected credit losses. The historical loss rate on closed accounts, adjusted to reflect current and forward-looking information regarding macroeconomic factors affecting customers' ability to pay, such as the impact of COVID-19 and the cost-of-living crisis, is used to measure the expected credit losses on these receivables.

Miscellaneous trade receivables

Miscellaneous trade receivables result almost entirely from transactions that are within the scope of IFRS 15 and as such the loss allowance is calculated as the lifetime expected credit losses. Due to the very low credit risk on the majority of these receivables the expected credit losses are minimal.

Amounts due from other property tenants

Amounts due from other property tenants are almost entirely lease receivables that result from transactions that are within the scope of IFRS 16 and as such the loss allowance is calculated as the lifetime expected credit losses. For tenants where it is considered that there is a significant risk of default the expected credit losses are calculated on an individual basis taking into account the circumstances involved. For all other tenants, after accounting for collateral held in the form of cash deposits, the remaining balance due is low and as such the expected credit losses are minimal.

Miscellaneous other receivables

Miscellaneous other receivables do not generally result from transactions that are within the scope of IFRS 15 and do not comprise lease receivables resulting from transactions that are within the scope of IFRS 16. These receivables are considered to have low credit risk and as such the loss allowance is calculated as the 12-month expected credit losses. Receivables are considered to have low credit risk where there is a low risk of default and it is expected that the debtor will be able to meet its payment obligations in the near future.

The movements in the loss allowances for finance lease receivables, trade receivables and other receivables are as follows:

Finance lease receivables	2022 £m	2021 £m
At beginning of the period	**3.9**	2.9
Net increase in loss allowance recognised in profit or loss	**0.1**	1.0
Amounts written off as uncollectible	**(0.2)**	–
At end of the period	**3.8**	3.9

Trade receivables	2022 £m	2021 £m
At beginning of the period	**0.8**	0.5
Net (decrease)/increase in loss allowance recognised in profit or loss	**(0.1)**	0.3
At end of the period	**0.7**	0.8

	12-month expected credit losses		Lifetime expected credit losses	
Other receivables	2022 £m	2021 £m	2022 £m	2021 £m
At beginning of the period	**0.1**	0.2	**8.3**	8.5
Net (decrease)/increase in loss allowance recognised in profit or loss	**–**	(0.1)	**0.1**	–
Amounts written off as uncollectible	**–**	–	**(7.2)**	(0.2)
At end of the period	**0.1**	0.1	**1.2**	8.3

The Group has no significant concentration of credit risk in respect of its customers.
The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable.

Liquidity risk

The Group applies a prudent liquidity risk management policy, which involves maintaining sufficient cash, ensuring the availability of funding through an adequate amount of committed credit facilities and having the ability to close out market positions. Due to the dynamic nature of the underlying business, the Group maintains the availability of committed credit lines to ensure that it has flexibility in funding.

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

25 FINANCIAL INSTRUMENTS CONTINUED

Management monitor rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flow. In addition, the Group's liquidity management policy involves maintaining debt financing plans, projecting cash flows and considering the level of liquid assets necessary to meet these, and monitoring balance sheet liquidity ratios against internal and external regulatory requirements. The Group's borrowing covenants are subject to regular review.

The tables below analyse the Group's financial liabilities and non-settled derivative financial instruments into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

At 1 October 2022	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
Borrowings	163.6	357.0	420.7	1,917.3	2,858.6
Derivative financial instruments	(9.4)	(7.7)	2.8	84.4	70.1
Trade payables	95.5	–	–	–	95.5
Other payables	12.5	–	–	–	12.5
	262.2	**349.3**	**423.5**	**2,001.7**	**3,036.7**

At 2 October 2021	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
Borrowings	134.7	116.3	572.9	1,956.4	2,780.3
Derivative financial instruments	17.4	15.9	53.4	140.8	227.5
Trade payables	109.0	–	–	–	109.0
Other payables	14.1	–	–	–	14.1
	275.2	**132.2**	**626.3**	**2,097.2**	**3,130.9**

26 SUBSIDIARY UNDERTAKINGS

Details of the Group's subsidiary undertakings are provided in note 6 to the Company financial statements.

27 SHARE-BASED PAYMENTS

During the period there were three classes of equity-settled employee share incentive plans outstanding:

(a) Save As You Earn (SAYE). Under this scheme employees enter into a savings contract for a period of three to five years and options are granted on commencement of the contract, exercisable using the amount saved under the contract at the time it terminates. Options under the scheme are granted at a discount to the average quoted market price of the Company's shares at the time of the invitation and are not subject to performance conditions. Exercise of options is subject to continued employment.

(b) Deferred bonus. Under this scheme nil cost options are granted to eligible employees in lieu of a cash bonus. Exercise of options is subject to a period of continued employment, and required no later than the tenth anniversary of the date of grant.

(c) Long Term Incentive Plan (LTIP). Under this scheme nil cost options are granted that will only vest provided the participant satisfies the minimum shareholding requirement and performance conditions relating to earnings per share, cash flow, return on capital, profit before tax and relative total shareholder return are met. LTIP options are exercisable no later than the tenth anniversary of the date of grant.

In 2010, HM Revenue & Customs (HMRC) approved an Approved Performance Share Plan (APSP) to enable participants in the LTIP to benefit from UK tax efficiencies. As such, awards made in 2010 and subsequent years may comprise an HMRC approved option (in respect of the first £30,000 worth of an award) and an unapproved LTIP award for amounts in excess of this HMRC limit. A further share award (a linked award) is also provided to enable participants to fund the exercise of the approved option. This linked award is satisfied by way of shares held on trust, but these additional shares are not generally delivered to the participant. Under these rules the LTIP options are still issued at nil cost to the employee.

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For the 52 weeks ended 1 October 2022

27 SHARE-BASED PAYMENTS CONTINUED

The tables below summarise the outstanding share options:

	Number of shares		Weighted average exercise price	
SAYE:	**2022 m**	2021 m	**2022 p**	2021 p
Outstanding at beginning of the period	**1.5**	3.6	**92.4**	97.3
Granted	**7.6**	–	**44.0**	–
Exercised	**–**	(0.1)	**–**	89.2
Expired	**(1.2)**	(2.0)	**85.3**	101.3
Outstanding at end of the period	**7.9**	1.5	**46.7**	92.4
Exercisable at end of the period	**0.4**	0.9	**97.2**	89.5
Range of exercise prices	**44.0p to 110.0p**	89.0p to 124.0p		
Weighted average remaining contractual life (years)	**3.3**	0.8		

	Number of shares		Weighted average exercise price	
Deferred bonus:	**2022 m**	2021 m	**2022 p**	2021 p
Outstanding at beginning of the period	**0.4**	0.4	**–**	–
Granted	**–**	0.3	**–**	–
Exercised	**(0.1)**	(0.3)	**–**	–
Outstanding at end of the period	**0.3**	0.4	**–**	–
Exercisable at end of the period	**–**	–	**–**	–

	Number of shares		Weighted average exercise price	
LTIP:	**2022 m**	2021 m	**2022 p**	2021 p
Outstanding at beginning of the period	**7.6**	7.3	**–**	–
Granted	**4.6**	2.5	**–**	–
Exercised	**(0.1)**	–	**–**	–
Expired	**(2.9)**	(2.2)	**–**	–
Outstanding at end of the period	**9.2**	7.6	**–**	–
Exercisable at end of the period	**–**	–	**–**	–

The fair values of the SAYE, deferred bonus and LTIP rights are calculated at the date of grant using the Black-Scholes option-pricing model. The significant inputs into the model for all schemes unless otherwise stated were:

	2022	2021
Dividend yield %	**2.1 to 2.2**	–
Expected volatility %	**36.1 to 45.6**	75.0 to 85.4
Risk-free interest rate %	**0.5 to 2.0**	0.1 to 0.3
Expected life of rights		
SAYE	**3 years**	N/A
Deferred bonus	**N/A**	3 years
LTIP	**5 years**	5 years

The expected volatility is based on historical volatility over the expected life of the rights.

The fair value of options granted during the current period in relation to the SAYE was 12.2p (2021: no options granted). No options were granted in the current period (2021: fair value of options granted of 97.0p) in relation to the deferred bonus scheme. The fair value of options granted during the period in relation to the LTIP was 64.5p (2021: 97.0p).

The weighted average share price for options exercised over the period was 67.8p (2021: 88.7p). The total charge for the period relating to employee share-based payment plans was £0.5 million (2021: £1.2 million), all of which related to equity-settled share-based payment transactions. After tax, the total charge was £0.5 million (2021: £1.1 million).

28 EQUITY SHARE CAPITAL

	2022		2021	
Allotted, called up and fully paid	**Number m**	**Value £m**	Number m	Value £m
Ordinary shares of 7.375p each:				
At beginning and end of the period	**660.4**	**48.7**	660.4	48.7

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

29 OTHER COMPONENTS OF EQUITY

The merger reserve arose on the issue of ordinary shares in the period ended 30 September 2017 and represented the difference between the nominal value of the shares issued and the net proceeds received. Following the disposal of the Group's brewing operations in the prior period the remaining balance of the reserve was realised and consequently transferred to retained earnings.

The capital redemption reserve of £6.8 million (2021: £6.8 million) arose on share buybacks.

Own shares represent the carrying value of the investment in treasury shares and shares held on trust for employee share schemes (including executive share option schemes) as set out in the table below. The trustees of the schemes are Banks's Brewery Insurance Limited, a wholly-owned subsidiary of Marston's PLC, and Computershare Trustees (C.I.) Limited.

	2022		2021	
	Number m	**Value £m**	Number m	Value £m
Shares held on trust for employee share schemes	**0.9**	**1.1**	1.1	1.3
Treasury shares	**26.2**	**109.8**	26.2	109.8
	27.1	**110.9**	27.3	111.1

The market value of own shares held is £9.7 million (2021: £22.8 million). Shares held on trust for employee share schemes represent 0.1% (2021: 0.2%) of issued share capital. Treasury shares held represent 4.0% (2021: 4.0%) of issued share capital. Dividends on own shares have been waived.

The Group considers its capital to comprise total equity (as disclosed on the face of the Group balance sheet) and net debt (note 30). In managing its capital the primary objectives are to ensure that the Group is able to continue to operate as a going concern and to maximise return to shareholders through a combination of capital growth and distributions. The Group seeks to maintain a ratio of debt to equity that both balances risks and returns at an acceptable level and retains sufficient funds to comply with lending covenants, achieve working capital targets and meet investment requirements. The Board reviews the Group's dividend policy and funding requirements at least once a year.

30 NET DEBT

Analysis of net debt	2022 £m	2021 £m
Cash and cash equivalents		
Cash at bank and in hand	**27.7**	32.2
	27.7	32.2
Financial assets		
Other cash deposits	**3.0**	3.2
	3.0	3.2
Debt due within one year		
Bank borrowings	**0.7**	0.7
Securitised debt	**(39.0)**	(36.9)
Lease liabilities	**(11.2)**	(6.7)
Other lease related borrowings	**0.4**	0.4
Other borrowings	**(15.0)**	(25.0)
	(64.1)	(67.5)
Debt due after one year		
Bank borrowings	**(214.6)**	(188.9)
Securitised debt	**(601.3)**	(640.3)
Lease liabilities	**(366.6)**	(364.9)
Other lease related borrowings	**(338.0)**	(337.6)
Other borrowings	**(40.0)**	(40.0)
Preference shares	**(0.1)**	(0.1)
	(1,560.6)	(1,571.8)
Net debt	**(1,594.0)**	(1,603.9)

Other cash deposits comprises deposits securing letters of credit for reinsurance contracts. Included within cash and cash equivalents is an amount of £5.6 million (2021: £5.6 million) relating to collateral held in the form of cash deposits. These amounts are both considered to be restricted cash. In addition, any other cash held in connection with the securitised business is governed by certain restrictions under the covenants associated with the securitisation (note 21).

NOTES CONTINUED
For the 52 weeks ended 1 October 2022

30 NET DEBT CONTINUED

Reconciliation of net cash flow to movement in net debt	2022 £m	2021 £m
Decrease in cash and cash equivalents in the period	**(4.5)**	(8.5)
(Decrease)/increase in other cash deposits	**(0.2)**	1.2
Disposals	**–**	0.1
Cash outflow from movement in debt	**30.9**	125.3
Net cash inflow	**26.2**	118.1
Non-cash movements and deferred issue costs	**(16.3)**	(88.9)
Disposals and classified as held for sale	**–**	(0.1)
Movement in net debt in the period	**9.9**	29.1
Net debt at beginning of the period	**(1,603.9)**	(1,633.0)
Net debt at end of the period	**(1,594.0)**	(1,603.9)

	2022 £m	2021 £m
Net debt excluding lease liabilities	**(1,216.2)**	(1,232.3)
Lease liabilities	**(377.8)**	(371.6)
Net debt	**(1,594.0)**	(1,603.9)

Changes in liabilities arising from financing activities are as follows:

	2022			2021		
	Borrowings £m	Derivative financial instruments £m	Total financing liabilities £m	Borrowings £m	Derivative financial instruments £m	Total financing liabilities £m
At beginning of the period	**(1,639.3)**	**(170.5)**	**(1,809.8)**	(1,675.6)	(224.4)	(1,900.0)
Cash flow	**30.9**	**16.3**	**47.2**	125.3	40.3	165.6
Changes in fair value	**–**	**133.8**	**133.8**	–	15.9	15.9
Other changes	**(16.3)**	**–**	**(16.3)**	(89.0)	(2.3)	(91.3)
At end of the period	**(1,624.7)**	**(20.4)**	**(1,645.1)**	(1,639.3)	(170.5)	(1,809.8)

31 WORKING CAPITAL AND NON-CASH MOVEMENTS

Working capital movement	2022 £m	2021 £m
Decrease in inventories	**0.3**	2.9
Increase in trade and other receivables	**(7.4)**	(12.7)
(Decrease)/increase in trade and other payables	**(24.7)**	3.4
	(31.8)	(6.4)

Non-cash movements	2022 £m	2021 £m
Movements in respect of property, plant and equipment, assets held for sale and intangible assets	**(24.6)**	84.6
(Income)/loss from associates	**(3.3)**	14.5
Non-cash movements in respect of leases	**(3.0)**	0.3
Share-based payments	**0.5**	1.2
	(30.4)	100.6

Further details of movements in respect of intangible assets, property, plant and equipment and assets held for sale are given in notes 10, 11 and 19.

32 ORDINARY DIVIDENDS ON EQUITY SHARES

No dividends were paid during the current or prior period. A final dividend for 2022 has not been proposed.

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

33 LEASES

The Group as lessee

The Group leases a number of its properties. Right-of-use assets in respect of leasehold land and buildings with a term exceeding 100 years at acquisition/commencement of the lease or where there is an option to purchase the freehold at the end of the lease term for a nominal amount are classed as effective freehold land and buildings within property, plant and equipment. Right-of-use assets in respect of any other leasehold land and buildings are classed as leasehold land and buildings within property, plant and equipment. The Group's property leases have various terms, escalation clauses and renewal rights. A number of the leases include variable payments that depend on changes in RPI, often subject to a cap and collar.

The Group also leases certain items of fixtures, fittings, tools and equipment. These are generally held under leases with terms of five years or less and in some cases contain an option to purchase the asset for a nominal amount at the end of the lease.

Depreciation charge for right-of-use assets	2022 £m	2021 £m
Leasehold land and buildings	12.1	11.5
Fixtures, fittings, tools and equipment	0.2	0.2
	12.3	11.7

Carrying amount of right-of-use assets	2022 £m	2021 £m
Effective freehold land and buildings	112.5	62.2
Leasehold land and buildings	254.0	287.2
Fixtures, fittings, tools and equipment	0.7	0.9
	367.2	350.3

	2022 £m	2021 £m
Interest expense on lease liabilities	18.9	17.7
Expenses relating to short-term leases	0.7	0.6
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	0.5	0.6
COVID-19 rent concessions recognised in profit or loss	-	0.1
Variable lease payments	0.1	-
Income from subleasing right-of-use assets	1.4	0.6
Total cash outflow for leases	24.4	41.4
Additions to right-of-use assets	9.5	93.0

The table below analyses the Group's lease liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2022 £m	2021 £m
Less than one year	30.4	25.4
Between one and two years	28.9	26.9
Between two and five years	85.5	83.2
Over five years	576.8	583.1
	721.6	718.6

The Group as lessor

The Group leases a proportion of its licensed estate and other unlicensed properties to tenants. The majority of lease agreements have terms of 21 years or less. For leases where the Group is the intermediate lessor certain subleases are classified as finance leases as the classification is determined by reference to the right-of-use asset arising from the head lease rather than the underlying asset. All other leases are classified as operating leases from a lessor perspective.

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

33 LEASES CONTINUED

Amounts recognised in the income statement are as follows:

	2022 £m	2021 £m
Finance income on the net investment in the lease	**0.9**	0.9
Lease income for operating leases	**11.3**	5.6

The maturity analysis of the undiscounted lease payments to be received for finance leases is as follows:

Finance leases	2022 £m	2021 £m
Within one year	**6.6**	7.2
In more than one year but less than two years	**2.8**	2.7
In more than two years but less than three years	**2.6**	2.5
In more than three years but less than four years	**2.4**	2.2
In more than four years but less than five years	**2.3**	2.0
In more than five years	**13.8**	10.7
	30.5	27.3
Unearned finance income	**(7.0)**	(5.0)
Net investment in the lease	**23.5**	22.3

The maturity analysis of the undiscounted lease payments to be received for operating leases is as follows:

Operating leases	2022 £m	2021 £m
Within one year	**9.8**	11.0
In more than one year but less than two years	**7.6**	9.7
In more than two years but less than three years	**5.7**	7.4
In more than three years but less than four years	**4.4**	5.4
In more than four years but less than five years	**2.8**	4.1
In more than five years	**11.1**	17.0
	41.4	54.6

34 CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

The Group has issued letters of credit totalling £3.7 million (2021: £3.6 million) to secure reinsurance contracts; of which some of these letters of credit are secured on fixed deposits (note 30).

The Group has also entered into a Deed of Guarantee with the Trustees of the Marston's PLC Pension and Life Assurance Scheme ('the Scheme') whereby it guarantees to the Trustees the ongoing obligations of the Group to contribute to the Scheme, and the obligations of the Group to contribute to the Scheme in the event of a debt becoming due under section 75 of the Pensions Act 1995 on the occurrence of either a Group company entering liquidation or the Scheme winding up.

35 POST BALANCE SHEET EVENTS

In respect of the Liquidity covenant associated with the Group's £40 million private placement borrowings for the fiscal month ending on or about 31 October 2022, there was a technical default, for which waivers have been secured. The Group received the waivers required from its bank and private placement lenders. This Liquidity covenant required the Group's total Liquidity headroom to be no less than £75 million. The Group also obtained prospective waivers from its private placement provider for the fiscal months ending on or about 30 November 2022 and 31 December 2022 Liquidity covenants during November 2022; required as a result of the continued recovery from COVID-19 and the impact of Omicron in H1 2022. The terms of the Group's bank and private placement borrowings remain unchanged.

COMPANY BALANCE SHEET

As at 1 October 2022

	Note	1 October 2022 £m	2 October 2021 £m
Fixed assets			
Tangible assets	5	**204.9**	187.1
Investments	6	**263.8**	263.3
		468.7	450.4
Current assets			
Debtors			
Amounts falling due within one year	7	**255.7**	523.7
Amounts falling due after more than one year	7	**592.2**	536.9
Cash at bank		**2.2**	3.0
		850.1	1,063.6
Creditors Amounts falling due within one year	8	**(475.6)**	(691.7)
Net current assets		**374.5**	371.9
Total assets less current liabilities		**843.2**	822.3
Creditors Amounts falling due after more than one year	8	**(159.1)**	(174.6)
Provisions for liabilities	9	**(4.7)**	(5.6)
Net assets		**679.4**	642.1
Capital and reserves			
Equity share capital	13	**48.7**	48.7
Share premium account	14	**334.0**	334.0
Revaluation reserve	14	**25.4**	19.5
Capital redemption reserve	14	**6.8**	6.8
Own shares	14	**(110.9)**	(111.1)
Profit and loss reserves		**375.4**	344.2
Total equity		**679.4**	642.1

The profit of the Company for the 52 weeks ended 1 October 2022 was £29.8 million (2021: £234.1 million).

The financial statements were approved by the Board and authorised for issue on 7 December 2022 and are signed on its behalf by:

ANDREW ANDREA
CHIEF EXECUTIVE OFFICER
7 December 2022

Company registration number: 31461

COMPANY STATEMENT OF CHANGES IN EQUITY
For the 52 weeks ended 1 October 2022

	Equity share capital £m	Share premium account £m	Revaluation reserve £m	Merger reserve £m	Capital redemption reserve £m	Own shares £m	Profit and loss reserves £m	Total equity £m
At 4 October 2020	48.7	334.0	39.1	23.7	6.8	(111.9)	74.3	414.7
Profit for the period	–	–	–	–	–	–	234.1	234.1
Revaluation of properties	–	–	(8.5)	–	–	–	–	(8.5)
Deferred tax on properties	–	–	0.5	–	–	–	–	0.5
Total comprehensive (expense)/income	–	–	(8.0)	–	–	–	234.1	226.1
Share-based payments	–	–	–	–	–	–	1.2	1.2
Sale of own shares	–	–	–	–	–	0.8	(0.7)	0.1
Transfer to profit and loss reserves	–	–	(11.6)	(23.7)	–	–	35.3	–
Total transactions with owners	–	–	(11.6)	(23.7)	–	0.8	35.8	1.3
At 2 October 2021	48.7	334.0	19.5	–	6.8	(111.1)	344.2	642.1
Profit for the period	–	–	–	–	–	–	29.8	29.8
Revaluation of properties	–	–	8.9	–	–	–	–	8.9
Deferred tax on properties	–	–	(1.9)	–	–	–	–	(1.9)
Total comprehensive income	–	–	7.0	–	–	–	29.8	36.8
Share-based payments	–	–	–	–	–	–	0.5	0.5
Sale of own shares	–	–	–	–	–	0.2	(0.2)	–
Transfer to profit and loss reserves	–	–	(1.1)	–	–	–	1.1	–
Total transactions with owners	–	–	(1.1)	–	–	0.2	1.4	0.5
At 1 October 2022	**48.7**	**334.0**	**25.4**	**–**	**6.8**	**(110.9)**	**375.4**	**679.4**

NOTES

For the 52 weeks ended 1 October 2022

1 ACCOUNTING POLICIES

The Company's principal accounting policies are set out below:

Company information

Marston's PLC is a public company limited by shares incorporated in England and Wales and domiciled in the UK. The registered office is Marston's House, Brewery Road, Wolverhampton, WV1 4JT.

Basis of preparation

These financial statements have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £0.1 million.

The financial statements have been prepared under the historical cost convention modified to include the revaluation of effective freehold land and buildings and the holding of certain financial instruments at fair value.

The Company is a qualifying entity for the purposes of FRS 102, as it prepares publicly available consolidated financial statements, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group. The Company has therefore taken advantage of the exemptions from the following disclosure requirements in FRS 102:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flows and related notes and disclosures;
- Section 11 'Basic Financial Instruments' – Interest income/expense and net gains/losses for each category of financial instrument not measured at fair value through profit or loss, impairment losses for each class of financial asset and information that enables users to evaluate the significance of financial instruments;
- Section 26 'Share-based Payment' – Reconciliation of the opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, and an explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

These financial statements present information about the Company as an individual entity and not about its group.

As permitted by section 408(3) of the Companies Act 2006, no profit and loss account has been presented for the Company.

The Directors continue to adopt the going concern basis of accounting in preparing the financial statements. Details of the going concern assessment performed by the Group are provided in note 1 to the Group financial statements.

Turnover

Turnover represents rent receivable, which is recognised over time and in the period to which it relates.

Current and deferred tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the accounts because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

1 ACCOUNTING POLICIES CONTINUED

Fixed assets

- Land and buildings which are either freehold or are in substance freehold assets are classed as effective freehold land and buildings. This includes leasehold land and buildings with a term exceeding 100 years at acquisition/commencement of the lease or where there is an option to purchase the freehold at the end of the lease term for a nominal amount. All other leasehold land and buildings are classed as leasehold land and buildings.
- Effective freehold land and buildings are initially stated at cost and subsequently at valuation. Leasehold land and buildings and fixtures, fittings, plant and equipment are stated at cost.
- Depreciation is charged to the profit and loss account on a straight-line basis to provide for the cost or valuation of the assets less their residual values over their useful lives.
- Land and buildings are depreciated to their residual values over the lower of the lease term (where applicable) and 50 years.
- Fixtures, fittings, plant and equipment are depreciated over seven years.
- Interest costs directly attributable to capital projects are capitalised.

Effective freehold land and buildings are revalued by qualified valuers on an annual basis using open market values so that the carrying value of an asset does not differ significantly from its fair value at the balance sheet date. The annual valuations are determined via third-party inspection of approximately a third of the sites such that all sites are individually inspected every three years. Substantially all of the Company's effective freehold land and buildings have been valued by a third-party in accordance with the Royal Institution of Chartered Surveyors' Red Book. These valuations are performed directly by reference to observable prices in an active market or recent market transactions on arm's length terms. Internal valuations are performed on the same basis.

When a valuation is below current carrying value, the asset concerned is reviewed for impairment. Impairment losses are charged to the revaluation reserve to the extent that a previous gain has been recorded, and thereafter to the profit and loss account. Surpluses on revaluation are recognised in the revaluation reserve, except to the extent they reverse previously charged impairment losses, in which case the reversal is recorded in the profit and loss account.

Disposals of fixed assets

Profit/loss on disposal of fixed assets represents net sale proceeds less the carrying value of the assets. Any element of the revaluation reserve relating to the fixed assets disposed of is transferred to profit and loss reserves at the date of sale.

Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the balance sheet when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets
Basic financial assets, which comprise amounts owed by Group undertakings, other debtors and cash and cash equivalents, are initially measured at the transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method.

Other financial assets
Derivatives, including interest rate swaps, are not basic financial assets and are accounted for as set out below.

Financial assets, other than those held at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

1 ACCOUNTING POLICIES CONTINUED

Basic financial liabilities

Basic financial liabilities, comprising amounts owed to Group undertakings, other creditors and borrowings, are initially recognised at the transaction price and subsequently carried at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps, are not basic financial liabilities and are accounted for as set out below.

Financial liabilities are derecognised when the Company's contractual obligations expire or are discharged or cancelled.

Derivatives

The Company uses derivative financial instruments to hedge the Group's exposure to fluctuations in interest rates. Derivative financial instruments are initially recognised in the balance sheet at fair value and are subsequently remeasured to their fair value at each balance sheet date. The Company has not designated any derivative financial instruments as hedging instruments and as such any gains or losses on remeasurement are recognised in the profit and loss account immediately.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets' fair value at the date of inception of the lease and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to the profit and loss account on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease premiums received are recognised on a straight-line basis over the life of the lease.

Obligations arising from sale and leaseback arrangements with repurchase options that do not fall within the scope of Section 20 'Leases' of FRS 102 are classified as other lease related borrowings and accounted for as secured loans on an amortised cost basis.

Investments in subsidiaries

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

Provisions

Provisions are recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation for which the estimates of future cash flows have not been adjusted. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Dividends

Dividends proposed by the Board but unpaid at the period end are recognised in the financial statements when they have been approved by the shareholders. Interim dividends are recognised when paid.

Preference shares

Preference shares are treated as borrowings, and dividends payable on those preference shares are charged as interest in the profit and loss account.

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

1 ACCOUNTING POLICIES CONTINUED

Group undertakings

There is an intra group funding agreement in place between the Company and certain other members of the Group. This agreement stipulates that all balances outstanding on any intercompany loan account between these companies which exceed £1 are interest bearing at a prescribed rate.

There is a 12.5% subordinated loan owed to the Company by Marston's Pubs Limited and there are deep discount bonds owed by the Company to Banks's Brewery Insurance Limited. No interest is payable on any other amounts owed by/to Group companies who are not party to the intra group funding agreement.

All amounts owed by/to Group undertakings are unsecured and, with the exception of the subordinated loan and deep discount bonds, repayable on demand.

2 JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The following estimates and assumptions have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities:

Tangible fixed assets

The Company carries its effective freehold land and buildings at fair value. These properties are valued by external or internal valuers on an open market value basis, primarily using earnings multiples derived from prices in observed transactions involving comparable businesses. The estimation of the fair values requires a combination of assumptions, including future earnings and appropriate multiples.

The carrying amount of tangible fixed assets is shown in note 5.

Valuation of interest rate swaps

The Company's interest rate swaps are held at fair value. The Company utilises valuations from counterparties who use a variety of assumptions based on market conditions existing at each balance sheet date. The fair values are highly sensitive to the inputs to the valuations, such as discount rates, analysis of credit risk and yield curves.

The carrying amount of the interest rate swaps is shown in note 10.

3 AUDITOR'S REMUNERATION

Fees payable to the Company's Auditor for the audit of the Company's annual accounts are disclosed in note 3 to the Group financial statements. Fees paid to the Company's Auditor for non-audit services to the Company itself are not required to be disclosed as the Group financial statements disclose such fees on a consolidated basis.

4 EMPLOYEES

The average monthly number of people employed by the Company during the period was nil (2021: nil).

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

5 TANGIBLE FIXED ASSETS

	Effective freehold land and buildings £m	Leasehold land and buildings £m	Fixtures, fittings, plant and equipment £m	Total £m
Cost or valuation				
At 3 October 2021	172.0	32.9	1.2	206.1
Additions	7.8	1.5	–	9.3
Transfers to/from Group undertakings	(6.3)	–	–	(6.3)
Revaluation	19.6	–	–	19.6
Disposals	(0.4)	(3.2)	–	(3.6)
At 1 October 2022	**192.7**	**31.2**	**1.2**	**225.1**
Depreciation				
At 3 October 2021	–	18.7	0.3	19.0
Charge for the period	–	1.1	0.2	1.3
Impairment	–	3.1	–	3.1
Disposals	–	(3.2)	–	(3.2)
At 1 October 2022	–	19.7	0.5	20.2
Net book amount at 2 October 2021	172.0	14.2	0.9	187.1
Net book amount at 1 October 2022	**192.7**	**11.5**	**0.7**	**204.9**

The net book amount of land and buildings is split as follows:

	2022 £m	2021 £m
Freehold land and buildings	**138.6**	123.9
Leasehold land and buildings with a term greater than 100 years at acquisition/commencement	**54.1**	48.1
Leasehold land and buildings with a term less than 100 years at acquisition/commencement	**11.5**	14.2
	204.2	186.2

If the effective freehold land and buildings had not been revalued, the historical cost net book amount would be £159.4 million (2021: £146.6 million).

Capital expenditure authorised and committed at the period end but not provided for in the financial statements was £0.3 million (2021: £0.4 million).

The net book amount of effective freehold land and buildings held under finance leases at 1 October 2022 was £19.1 million (2021: £15.3 million). The net book amount of effective freehold land and buildings held as part of sale and leaseback arrangements that do not fall within the scope of Section 20 'Leases' of FRS 102 was £92.6 million (2021: £80.7 million). The net book amount of fixtures, fittings, plant and equipment held under finance leases was £0.7 million (2021: £0.9 million).

The Company has charged effective freehold land and buildings with a value of £4.1 million (2021: £3.3 million) in favour of the Marston's PLC Pension and Life Assurance Scheme (the 'Scheme') as continuing security for the Group's obligations to the Scheme.

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

5 TANGIBLE FIXED ASSETS CONTINUED

Revaluation/impairment

At 3 July 2022 independent chartered surveyors revalued the Company's effective freehold properties on an open market value basis. During the current and prior period various properties were also reviewed for impairment and/or material changes in value. These valuation adjustments were recognised in the revaluation reserve or profit and loss account as appropriate.

	2022 £m	2021 £m
Profit and loss account:		
Impairment	**(5.2)**	(16.1)
Reversal of past impairment	**12.8**	1.5
	7.6	(14.6)
Revaluation reserve:		
Unrealised revaluation surplus	**10.0**	3.0
Reversal of past revaluation surplus	**(1.1)**	(11.5)
	8.9	(8.5)
Net increase/(decrease) in shareholders' equity/tangible fixed assets	**16.5**	(23.1)

6 FIXED ASSET INVESTMENTS

	Subsidiary undertakings £m
Cost	
At 3 October 2021	263.3
Capital contribution in respect of equity-settled share-based payments	0.5
At 1 October 2022	**263.8**
Net book amount at 2 October 2021	263.3
Net book amount at 1 October 2022	**263.8**

Where there are indications of impairment or reversal of impairment of the Company's investments in subsidiary undertakings an assessment is made of the recoverable amounts of the investments, which are based on either the net assets of the subsidiary or value in use calculations. Where a value in use calculation is used, cash flows have been derived from the latest board approved cash flows of the relevant entity, applying a long-term growth rate of 1.8% (2021: 1.5%) and discounted at a rate of 7.1% (2021: 6.5%).

These financial statements are separate company financial statements for Marston's PLC.

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

6 FIXED ASSET INVESTMENTS CONTINUED

The Company had the following subsidiary undertakings at 1 October 2022:

	Nature of business	Class of share	Proportion of shares held directly by Marston's PLC	Proportion of shares held by the Group
Marston's Estates Limited	Property management	Ordinary 25p	–	100%
Marston's Operating Limited	Pub retailer	Ordinary £1	–	100%
Marston's Pubs Limited	Pub retailer	Ordinary £1	–	100%
Marston's Pubs Parent Limited	Holding company	Ordinary £1	–	100%
Marston's Telecoms Limited	Telecommunications	Ordinary £1	–	100%
Marston's Trading Limited	Pub retailer	Ordinary £5	–	100%
Banks's Brewery Insurance Limited	Insurance	Ordinary £1	–	100%
Marston's Acquisitions Limited	Acquisition company	Ordinary 25p	–	100%
		Preference £1	–	100%
Marston's Corporate Holdings Limited	Holding company	Ordinary £1	100%	100%
Marston's Issuer PLC	Financing company	Ordinary £1	–	–
Marston's Issuer Parent Limited	Holding company	Ordinary £1	–	–
Bedford Canning Company Limited *	Dormant	Ordinary £1	–	100%
Bluu Limited *	Dormant	Ordinary £1	–	100%
Brasserie Restaurants Limited	Dormant	Ordinary £1	–	100%
Celtic Inns Holdings Limited	Dormant	Ordinary 1p	–	100%
Celtic Inns Limited	Dormant	Ordinary £1	–	100%
Eldridge, Pope & Co., Limited	Dormant	Ordinary 50p	–	100%
English Country Inns Limited	Dormant	Ordinary 50p	–	100%
EP Investments 2004 Limited *	Dormant	Ordinary 1p	–	100%
Fairdeed Limited *	Dormant	'A' Ordinary £1	–	100%
Fayolle Limited	Dormant	Ordinary £1	–	100%
John Marston's Taverners Limited	Dormant	Ordinary £1	–	100%
Lambert Parker & Gaines Limited	Dormant	Ordinary £1	–	100%
Mansfield Brewery Limited	Dormant	Ordinary 25p	–	100%
Mansfield Brewery Properties Limited *	Dormant	Ordinary £1	–	100%
Mansfield Brewery Trading Limited	Dormant	Ordinary £1	–	100%
Marston, Thompson & Evershed Limited	Dormant	Ordinary 25p	–	100%
Marston's Developments Limited *	Dormant	Ordinary £1	–	100%
Marston's Property Developments Limited	Dormant	Ordinary £1	–	100%
Osprey Inns Limited	Dormant	Ordinary £1	–	100%

	Nature of business	Class of share	Proportion of shares held directly by Marston's PLC	Proportion of shares held by the Group
Pitcher and Piano Limited	Dormant	Ordinary £1	–	100%
Porter Black (2003) Limited	Dormant	Ordinary £1	–	100%
QP Bars Limited	Dormant	Ordinary £1	–	100%
Refresh Group Limited *	Dormant	Ordinary 1p	–	100%
Refresh UK Limited *	Dormant	Ordinary 10p	–	100%
Ringwood Brewery Limited *	Dormant	Ordinary £1	–	100%
S.K. Williams Limited *	Dormant	Ordinary £1	–	100%
SDA Limited *	Dormant	Ordinary £1	–	100%
Sherwood Forest Properties Limited	Dormant	Ordinary £1	–	100%
Sovereign Inns Limited *	Dormant	Ordinary £1	–	100%
The Gray Ox Limited *	Dormant	Ordinary £1	–	100%
The Wychwood Brewery Company Limited *	Dormant	Ordinary £1	–	100%
W&DB (Finance) Limited	Dormant	Ordinary £1	–	100%
W. & D. Limited *	Dormant	Ordinary £1	–	100%
Wizard Inns Limited	Dormant	'A' Ordinary 1p	–	100%
		Deferred 1p	–	100%
Wychwood Holdings Limited *	Dormant	'A' Ordinary 1p	–	100%

* An application to strike off and dissolve these companies was submitted to Companies House prior to the date of issuance of these financial statements.

The registered office of all of the above subsidiaries is Marston's House, Brewery Road, Wolverhampton, WV1 4JT, with the exception of Banks's Brewery Insurance Limited, Marston's Issuer PLC and Marston's Issuer Parent Limited. The registered office of Banks's Brewery Insurance Limited is PO Box 33, Dorey Court, Admiral Park, St Peter Port, Guernsey, GY1 4AT. The registered office of Marston's Issuer PLC and Marston's Issuer Parent Limited is Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, EC2R 7AF.

All subsidiaries have been included in the consolidated financial statements. Although the Group does not hold any shares in Marston's Issuer PLC and its parent company, Marston's Issuer Parent Limited, these companies are treated as subsidiary undertakings for the purpose of the consolidated financial statements as it is considered that they are controlled by the Group. Marston's Issuer PLC was set up with the sole purpose of issuing debt secured on the assets of Marston's Pubs Limited. Wilmington Trust SP Services (London) Limited holds the shares of Marston's Issuer Parent Limited under a declaration of trust for charitable purposes.

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

6 FIXED ASSET INVESTMENTS CONTINUED

The Company had the following associates at 1 October 2022:

	Nature of business	Class of share	Proportion of shares held directly by Marston's PLC	Proportion of shares held by the Group
Carlsberg Marston's Limited (formerly Carlsberg Marston's Brewing Company Limited)	Brewer	Ordinary £1	–	40%

The registered office of Carlsberg Marston's Limited (formerly Carlsberg Marston's Brewing Company Limited) is Marston's House, Brewery Road, Wolverhampton, WV1 4JT.

7 DEBTORS

Amounts falling due within one year	2022 £m	2021 £m
Amounts owed by Group undertakings	**252.3**	520.5
Prepayments and accrued income	**0.1**	–
Other debtors	**3.3**	3.2
	255.7	523.7

Amounts falling due after more than one year	2022 £m	2021 £m
12.5% subordinated loan owed by Group undertaking	**590.4**	521.5
Derivative financial instruments	**1.8**	15.4
	592.2	536.9

The gross contractual amount outstanding in respect of the subordinated loan was £1,490.4 million (2021: £1,316.6 million) and the impact of discounting the expected cash flows at 12.5% was £900.0 million (2021: £795.1 million).

8 CREDITORS

Amounts falling due within one year	2022 £m	2021 £m
Amounts owed to Group undertakings	**449.4**	673.2
Finance leases	**0.9**	0.5
Other lease related borrowings	**(0.1)**	(0.1)
Corporation tax	**15.4**	10.0
Accruals and deferred income	**9.6**	7.3
Other creditors	**0.4**	0.8
	475.6	691.7

Amounts falling due after more than one year	2022 £m	2021 £m
Finance leases	**19.5**	20.0
Other lease related borrowings	**88.5**	88.3
Other borrowings	**40.0**	40.0
Preference shares	**0.1**	0.1
Derivative financial instruments	**1.8**	15.4
Accruals and deferred income	**9.2**	10.2
Other creditors	**–**	0.6
	159.1	174.6

The preference shares carry the right to a fixed cumulative preferential dividend. They participate in the event of a winding-up and on a return of capital and carry the right to attend and vote at general meetings of the Company, carrying four votes per share.

Other lease related borrowings represent amounts due under sale and leaseback arrangements that do not fall within the scope of Section 20 'Leases' of FRS 102. The Company has an option to repurchase each leased property for a nominal amount at the end of the lease. The leases have terms of 35 to 40 years and rents which are linked to RPI, subject to a cap and collar.

The amount falling due for payment after more than five years from the balance sheet date on debts repayable by instalments was £107.1 million (2021: £107.3 million). Debts of £0.1 million (2021: £0.1 million) were repayable otherwise than by instalments after more than five years from the balance sheet date.

NOTES CONTINUED
For the 52 weeks ended 1 October 2022

9 PROVISIONS FOR LIABILITIES

	Deferred tax £m	Property leases £m	Total £m
At 3 October 2021	0.4	5.2	5.6
Provided in the period	–	0.9	0.9
Released in the period	–	(0.5)	(0.5)
Utilised in the period	–	(1.4)	(1.4)
Unwind of discount	–	0.1	0.1
Adjustment for change in discount rate	–	(0.6)	(0.6)
Credited to profit or loss	(1.3)	–	(1.3)
Charged to other comprehensive income	1.9	–	1.9
At 1 October 2022	**1.0**	**3.7**	**4.7**

Payments are expected to continue in respect of these property leases for periods of 1 to 22 years (2021: 1 to 23 years). There is not considered to be any significant uncertainty regarding the amount and timing of these payments.

Deferred tax
The amount provided in respect of deferred tax is as follows:

	2022 £m	2021 £m
Excess of capital allowances over accumulated depreciation	**6.1**	4.2
Other	**(5.1)**	(3.8)
	1.0	0.4

A deferred tax asset of £7.7 million (2021: £10.0 million) arising on capital losses has not been recognised due to uncertainty over its future recoverability.

10 FINANCIAL INSTRUMENTS

Carrying amount of financial assets	2022 £m	2021 £m
Measured at fair value through profit or loss	**1.8**	15.4

Carrying amount of financial liabilities	2022 £m	2021 £m
Measured at fair value through profit or loss	**1.8**	15.4

The only financial instruments that the Company holds at fair value are interest rate swaps. The fair values of the Company's interest rate swaps are obtained using a market approach and reflect the estimated amount the Company would expect to pay or receive on termination of the instruments, adjusted for the Company's own credit risk. The Company utilises valuations from counterparties who use a variety of assumptions based on market conditions existing at each balance sheet date.

11 OPERATING LEASE COMMITMENTS
At 1 October 2022 the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases as follows:

	2022 £m	2021 £m
Within one year	**6.4**	7.0
In more than one year but less than five years	**21.6**	20.9
In more than five years	**43.8**	47.6
	71.8	75.5

NOTES CONTINUED

For the 52 weeks ended 1 October 2022

12 FINANCE LEASE OBLIGATIONS

The Company leases various properties and items of equipment under finance leases. The leases have various terms, escalation clauses and renewal rights. Future minimum lease payments under finance leases are as follows:

	2022 £m	2021 £m
Within one year	**1.9**	1.6
In more than one year but less than five years	**5.6**	5.8
In more than five years	**29.7**	31.0
	37.2	38.4
Future finance charges	**(16.8)**	(17.9)
Present value of finance lease obligations	**20.4**	20.5

13 EQUITY SHARE CAPITAL

	2022		2021	
Allotted, called up and fully paid	**Number m**	**Value £m**	Number m	Value £m
Ordinary shares of 7.375p each	**660.4**	**48.7**	660.4	48.7

14 RESERVES

The share premium account comprises amounts in excess of nominal value received for the issue of shares less any transaction costs.

When effective freehold land and buildings are revalued any gains and losses are recognised in the revaluation reserve, except to the extent that a revaluation gain reverses a revaluation loss previously recognised in profit or loss or a revaluation loss exceeds the accumulated revaluation gains recognised in the revaluation reserve; such gains and losses are recognised in profit or loss. The associated deferred tax on revaluations is also recognised in the revaluation reserve. Amounts representing the equivalent depreciation are transferred to profit and loss reserves annually and the full amount is transferred on disposal of the associated property.

The capital redemption reserve arose on share buybacks.

Details of own shares are provided in note 29 to the Group financial statements.

15 GUARANTEES AND CONTINGENT LIABILITIES

The Company has entered into a Deed of Guarantee with Marston's Trading Limited ('Trading') and the Trustees of the Marston's PLC Pension and Life Assurance Scheme ('the Scheme') whereby it guarantees to the Trustees the ongoing obligations of Trading to contribute to the Scheme and the obligations of Trading to contribute to the Scheme in the event of a debt becoming due under section 75 of the Pensions Act 1995 on the occurrence of either Trading entering liquidation or the Scheme winding up.

The Company has guaranteed the obligations of Trading under certain of its banking facilities and the obligations of Marston's Estates Limited under various property leases.

ALTERNATIVE PERFORMANCE MEASURES

Abbreviations

APM Alternative performance measure

CAPEX Capital expenditure

EBITDA Earnings before interest, tax, depreciation, and amortisation

FCF Free cash flow

LFL Like-for-like

NAV Net asset value

NCF Net cash flow

Definitions

APMs

In addition to statutory financial measures, these full year results include financial measures that are not defined or recognised under IFRS or FRS 102, all of which the Group considers to be APMs. APMs should not be regarded as a complete picture of the Group's financial performance, which the Group presents within its total statutory results.

The APMs are used by the Directors to analyse operational and financial performance and track the Group's progress against long-term strategic plans. The APMs provide additional information to investors and other external shareholders to enhance their understanding of the Group's results and comparison with industry peers.

CAPEX

Capex is the cost of acquiring and maintaining fixed assets, comprising both maintenance and investment expenditure. It is a measure by which the Group and interested stakeholders assess the level of investment in the estate to maintain the Group's profit. Capex is the purchase of property, plant and equipment as presented directly within the Group cash flow statement.

FCF

FCF represents the net cash inflow from operating activities, adjusted for cash movements on interest, and proceeds from the sale of own shares. The Group uses FCF to determine bonus outcomes for Directors' remuneration.

LFL sales

LFL sales reflect sales for all pubs that were trading in the two periods being compared expressed as a percentage, excluding those pubs that have changed format between tenanted and leased and the rest of the estate. The inclusion of a pub within LFL sales is considered on a daily basis and a pub is included within LFL sales for the specific days within the two periods being compared where it meets the definition of LFL. A site is considered fully open for trading if it generated more than £100 per day. Current period comparisons have been made against FY2019, being the relevant pre-COVID comparator period, and therefore LFL sales excludes the results of the SA Brain pubs.

LFL sales is a widely used industry measure which provides better insight into the trading performance of the Group as total revenue is impacted by acquisitions, disposals, and investment into the estate through conversions and refurbishments.

NAV per share

NAV per share is the value of net assets of the Group, divided by the number of shares outstanding.

NCF

NCF is the decrease in cash and cash equivalents in the period, adjusted for movements in other cash deposits, cash disposed of, and the cash movement in debt. NCF is used by the Group to determine targets for LTIP awards.

Net debt

Net debt is defined as the sum of cash and cash equivalents and other cash deposits, less total borrowings, at the balance sheet date. Net debt is presented excluding lease liabilities as the target for the Group's 'Back to a billion' corporate goal is to reduce net debt excluding lease liabilities to below £1 billion.

Non-underlying

Non-underlying items are presented separately on the face of the income statement and are defined as those items of income and expense which, because of the materiality, nature and/or expected infrequency of the events giving rise to them, merit separate presentation to enable users of the financial statements to better understand elements of financial performance in the period, so as to facilitate comparison with future and prior periods. As management of the freehold and leasehold property estate is an essential and significant area of the business, the threshold for classification of property related items as non-underlying is higher than other items.

Underlying results should not be regarded as a complete picture of the Group's financial performance as they exclude specific items of income and expense. The full Group financial performance is presented within its total statutory results.

ALTERNATIVE PERFORMANCE MEASURES CONTINUED

Operating profit/(loss)
Operating profit/(loss) is total revenue less operating expenses, plus the share of results from associates. Operating profit/(loss) is presented directly on the Group income statement. It is not defined in IFRS, however it is a generally accepted profit measure. 'Pub operating profit/(loss)' excludes the share of results from associates.

Outlet sales
Outlet sales represents all revenue that is generated at our managed and franchise pubs, which includes food, drink, accommodation, and gaming machine income.

Profit/(loss) before tax
Profit/(loss) before tax is profit for the period for continuing operations presented before the tax charge for the period. Profit/(loss) before tax is presented directly on the Group income statement. It is not defined in IFRS, however is a generally accepted profit measure.

Retail sales
Retail sales represents all revenue that is generated through the Group's EPOS (electronic point of sale) till systems in our managed and franchise pubs, which includes food, drink, and accommodation sales.

Underlying EBITDA
Underlying EBITDA is the earnings before interest, tax, depreciation, and amortisation, adjusted for non-underlying items. The Directors regularly use underlying EBITDA as a key performance measure in assessing the Group's profitability. The measure is considered useful to users of the financial statements as it is a widely used industry measure which allows comparison to peers, comparison of performance across periods, and is used to determine bonus outcomes for Directors' remuneration.

Underlying operating margin
Underlying operating margin is the percentage of operating profit, before non-underlying items, against total revenue.

Wholesale sales
Wholesale sales represents revenue generated from our tenanted and leased pubs.

Year
The current year refers to the 52 week period ended 1 October 2022. The prior year refers to the 52 week period ended 2 October 2021.

Reconciliation of APMs to Marston's strategy

APM	Closest equivalent statutory measure	Link to corporate strategy or goal	Link to ESG strategy
LFL sales	Revenue	**Back to a billion** (goal) Achieving £1 billion sales	**Communities** We want to generate additional income to increase our charitable donations.
Capex	Purchase of property, plant and equipment and assets held for sale	**We will grow** (strategy) Links to the third element of our strategy to deliver high returning growth capex.	**Environment** We want to generate high returns on energy efficient technology expenditure.
FCF	Net cash flow from operating activities	**We will grow** (strategy) Links to the third element of our strategy to exploit M&A opportunities.	**Investors** We want to attract long-term equity and debt investors who believe in and support our strategy.
NCF	Net increase/ (decrease) in cash and cash equivalents		
Net debt	Total debt	**Back to a billion** (goal) Reducing net debt (excluding lease liabilities) to below £1 billion.	**Investors** We want to drive shareholder value by reducing borrowings to below £1 billion.
Underlying operating margin	Operating profit	**We raise the bar** (strategy) Links to the second element of our strategy, to achieve operational excellence.	**Environment** We want to improve profitability by reducing our energy usage.
Underlying EBITDA	Profit/(loss) before tax		

ALTERNATIVE PERFORMANCE MEASURES CONTINUED

Reconciliation of APMs to statutory results

LFL sales

	Statutory reference	52 weeks to 1 October 2022 £m	52 weeks to 28 September 2019 £m	LFL %
LFL retail sales		**630.6**	639.2	(1)
Non-LFL retail sales		**103.5**	61.7	
Retail sales		**734.1**	700.9	
Non-EPOS outlet sales		**23.1**	21.9	
Outlet sales	Note 3	**757.2**	722.8	

	10 weeks to 1 October 2022 £m	10 weeks to 28 September 2019 £m	LFL %
LFL retail sales	137.9	133.8	3
Non-LFL retail sales	16.7	10.6	
Retail sales	154.6	144.4	

	10 weeks to 1 October 2022 £m	10 weeks to 2 October 2021 £m	LFL %
LFL retail sales	137.9	132.3	4
Non-LFL retail sales	16.7	13.1	
Retail sales	154.6	145.4	

FCF

	Statutory reference	2022 £m	2021 £m
Net cash inflow from operating activities	Cash flow statement	**134.0**	34.7
Interest received	Cash flow statement	**0.9**	0.5
Interest paid	Cash flow statement	**(79.4)**	(96.3)
Proceeds from sale of own shares	Cash flow statement	**-**	0.1
Free cash flow		**55.5**	(61.0)

NAV per share

	Statutory reference	2022 £m	2021 £m
Net assets	Balance Sheet	**648.1**	406.4
Basic weighted average number of shares	Note 9	**633.1**	632.8
NAV per share		**1.02**	0.64

NCF

	Statutory reference	2022 £m	2021 £m
Decrease in cash and cash equivalents	Cash flow statement	**(4.5)**	(8.5)
(Decrease)/increase in other cash deposits	Cash flow statement	**(0.2)**	1.2
Disposals	Note 30	**-**	0.1
Cash outflow from movement in debt	Note 30	**30.9**	125.3
Net cash flow		**26.2**	118.1

ALTERNATIVE PERFORMANCE MEASURES CONTINUED

Net debt

	Statutory reference	2022 £m	2021 £m
Decrease in cash and cash equivalents in the period	Cash flow statement	**(4.5)**	(8.5)
(Decrease)/increase in other cash deposits	Cash flow statement	**(0.2)**	1.2
Disposals	Note 30	**–**	0.1
Cash outflow from movement in debt excluding lease liabilities		**22.4**	105.5
Net cash inflow		**17.7**	98.3
Disposals and classified as held for sale	Note 30	**–**	(0.1)
Non-cash movements and deferred issue costs		**(1.6)**	(1.6)
Movement in net debt excluding lease liabilities in the period		**16.1**	96.6
Net debt excluding lease liabilities at beginning of the period	Note 30	**(1,232.3)**	(1,328.9)
Net debt excluding lease liabilities at end of the period	Note 30	**(1,216.2)**	(1,232.3)

Underlying EBITDA

	Statutory reference	2022 £m	2021 £m
Operating profit/(loss)	Income statement	**145.4**	(105.0)
Non-underlying operating items*	Note 4, 8	**(26.7)**	97.6
Depreciation and amortisation	Cash flow statement	**44.2**	42.7
Underlying EBITDA including income/(loss) from associates		**162.9**	35.3
(Income)/loss from associates	Income statement	**(3.3)**	14.5
Underlying EBITDA excluding income/(loss) from associates		**159.6**	49.8

* 2021 underlying EBITDA comparatives include the results of discontinued operations.

Underlying operating margin

	Statutory reference	2022 £m	2021 £m
Operating profit/(loss) from continuing operations	Income statement	**145.4**	(105.0)
(Income)/loss from associates	Income statement	**(3.3)**	14.5
Non-underlying operating items	Note 4	**(26.7)**	96.2
Underlying operating profit excluding income/(loss) from associates ('pub operating profit')	Income statement	**115.4**	5.7
Total revenue	Note 3	**799.6**	401.7
Underlying operating margin		**14.4%**	1.4%

	26 weeks to 2 April 2022 £m	26 weeks to 1 October 2022 £m	52 weeks to 1 October 2022 £m
Operating profit	43.9	101.5	**145.4**
Loss/(income) from associates	2.0	(5.3)	**3.3**
Non-underlying operating items	6.0	20.7	**(26.7)**
Underlying operating profit excluding income/(loss) from associates ('pub operating profit')	39.9	75.5	**115.4**
Total revenue	369.7	429.9	**799.6**
Underlying operating margin	10.8%	17.6%	**14.4%**

INFORMATION FOR SHAREHOLDERS

Annual General Meeting (AGM)

The Company's AGM will be held at 10.00am on 24 January 2023 at The Farmhouse at Mackworth, 60 Ashbourne Road, Derby DE22 4LY.

Any changes to the AGM arrangements will be communicated to shareholders before the AGM through our website and, where appropriate, by RNS announcement.

Online voting for the Annual General Meeting

Shareholder participation remains important to us and we strongly encourage all shareholders to participate in the business of the meeting by submitting your votes on each of the resolutions in advance.

To register the appointment of a proxy electronically, visit **www.sharevote.co.uk** and follow the instructions provided (you will need the voting numbers found on your Form of Proxy).

Alternatively, shareholders who have already registered with Equiniti Registrars' online portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at **www.shareview.co.uk** using their user ID and password. Once logged in, click 'view' on the 'My Investments' page. Click on the link to vote and follow the on-screen instructions.

Financial calendar

AGM and Interim Management Statement	24 January 2023
Half-year results	May 2023
Full-year results	December 2023

These dates are indicative only and may be subject to change.

The Marston's website

Shareholders are encouraged to visit our website **www.marstonspubs.co.uk** for further information about the Company. The dedicated Investors section on the website contains information specifically for shareholders, including share price information, historical dividend amounts and payment dates together with this year's (and prior years') Annual Report and Accounts.

Registrars

The Company's shareholder register is maintained by our Registrar, Equiniti. If you have any queries relating to your Marston's PLC shareholding you should contact Equiniti directly by one of the methods below:

Online:	**help.shareview.co.uk** – from here you will be able to securely email Equiniti with your query
Telephone:	0371 384 2274*
By post:	Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA

* Lines are open from 9.00am to 5.00pm (UK time), Monday to Friday, excluding public holidays in England and Wales.

Dividend payments

The Board confirms that given the disruption to trading and the road to recovery from COVID-19 in the current financial year, and the current uncertainty, there is no intention to pay dividends in respect of financial year 2022. The Board is cognisant of the importance of dividends to shareholders and intends to keep potential future dividends under review.

However, if you believe you have any unclaimed dividends or have misplaced a cheque, please contact Equiniti or visit **www.shareview.co.uk**. By completing a bank mandate form, dividends can be paid directly into your bank or building society account. Those selecting this payment method will benefit from receiving cleared funds in their bank account on the payment date, avoiding postal delays and removing the risk of any cheques being lost in the post. To change how you receive your dividends contact Equiniti or visit **www.shareview.co.uk**

Duplicate documents

If you have received two or more sets of the documents concerning the AGM this means that there is more than one account in your name on the shareholder register, perhaps because either your name or your address appear on each account in a slightly different way. If you think this might be the case and would like to combine your accounts, please contact Equiniti.

Moving house?

It is important that you notify Equiniti of your new address as soon as possible. If you reside in the UK, this can be done quickly over the telephone or in writing, quoting your full name, shareholder reference number (if known), previous address and new address.

Electronic communications

Changes in legislation in recent years allow the Company to use its corporate website as the main way to communicate with shareholders. Annual Report and Accounts are only sent to those shareholders who have opted to receive a paper copy. Registering to receive shareholder documentation from the Company electronically will allow shareholders to:

- view the Annual Report and Accounts on the day it is published;
- receive an email alert when the Annual Report and Accounts and any other shareholder documents are available;
- cast their AGM votes electronically; and
- manage their shareholding quickly and securely online, through **www.shareview.co.uk**

This reduces our impact on the environment, minimises waste and reduces printing and mailing costs. For further information and to register for electronic shareholder communications, visit **www.shareview.co.uk**

INFORMATION FOR SHAREHOLDERS CONTINUED

Buying and selling shares in the UK

If you wish to buy or sell Marston's PLC shares and hold a share certificate, you can:

- use the services of a stockbroker or high street bank; or
- use a telephone or online service.

If you sell your shares in this way you will need to present your share certificate at the time of sale. Details of a low cost dealing service may be obtained from **www.shareview.co.uk** or 0345 603 7037**.

** Lines are open Monday to Friday, 8.00am to 4.30pm for dealing and until 6.00pm for enquiries (UK time), excluding English public holidays.

Ordinary shares

Range of shareholding

Balance Ranges	Total number of holdings	Percentage of holders	Total number of shares	Percentage issued capital
1–1,000	3,414	45.44%	1,356,489	0.21%
1,001–10,000	3,067	40.82%	11,411,022	1.73%
10,001–100,000	785	10.45%	21,262,175	3.22%
100,001–1,000,000	162	2.16%	59,886,600	9.07%
1,000,001–999,999,999	85	1.13%	566,445,908	85.78%
Totals	**7,513**	**100.00%**	**660,362,194**	**100.00%**

Share fraud warning

Share fraud includes scams where investors are called out of the blue and offered an inflated price for shares they own or shares that often turn out to be worthless or non-existent. These calls come from fraudsters operating 'boiler rooms' that are mostly based abroad. While high profits are promised, those who buy or sell shares in this way usually lose their money. The Financial Conduct Authority (FCA) has found most share fraud victims are experienced investors who lose an average of £20,000, with around £200 million lost in the UK each year.

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

- Get the name of the person and organisation contacting you.
- Check the Financial Services Register at **www.fca.org.uk/register** to ensure they are authorised.
- Use the details on the FCA Register to contact the firm.
- Call the FCA Consumer Helpline on 0800 111 6768 if there are no contact details on the Register or you are told they are out of date.
- Search the FCA list of unauthorised firms and individuals to avoid doing business with.
- Remember, if it sounds too good to be true, it probably is.

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme if things go wrong.

If you are approached about a share scam you should tell the FCA using the share fraud reporting form at **www.fca.org.uk** where you will find out about the latest investment scams. You can also call the Consumer Helpline on 0800 111 6768.

Company details

Registered office: Marston's House, Brewery Road, Wolverhampton WV1 4JT

We will be moving to our new office in early 2023, when our registered office will change to:

St Johns House, St Johns Square, Wolverhampton WV2 4BH

Telephone: 01902 907250

Company registration number: 31461

Investor queries: investorrelations@marstons.co.uk

Auditor

KPMG LLP, One Snowhill, Snowhill Queensway, Birmingham B4 6GH

Advisers

JP Morgan Cazenove, 20 Moorgate, London EC2R 6DA

Peel Hunt LLP, Moor House, 120 London Wall, London EC2Y 5ET

Solicitors

Freshfield Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS

Slaughter & May LLP, One Burnhill Row, London EC1Y 8YY

HISTORICAL KPIS

We've made changes to our KPIs during the reporting year. The following KPIs will not be reported on from the 2022/23 FY.

Sales growth vs Peach market tracker %

During the year, we reviewed the operation of the Peach market tracker, which provides sales data for the UK eating and drinking out market. Following that review, the Peach market tracker was replaced as a KPI with the league table of pub companies, provided by Reputation.

Great place to work

Early in the reporting year, we agreed to focus on the engagement and enablement of our people and replaced the Glassdoor rating with our Peakon engagement score.

GLOSSARY

CMBC Carlsberg Marston's Brewing Company

Critical role turnover The number of times the person in a critical role changes

EBIT Earnings before interest and tax

EHO Food hygiene rating issued by Food Standards Agency

EPS Earnings per share

ESG Environmental, Social and Governance

EV Electric vehicle

FRC Financial Reporting Council – independent regulator

FTSE4Good An index designed to measure the performance of companies demonstrating strong Environmental, Social and Governance practices

FY Financial year

H1 The first half of the financial year

H2 The second half of the financial year

MRO Market rent only – as defined in The Pubs Code

Mwhr Megawatt – a measure of electric power

NLW National Living Wage

NMW National Minimum Wage

OHID Office for Health Improvement and Disparities

PBT Profit before tax

PCA Pubs Code Adjudicator

PCDR Performance, Career and Development Review

Rapid electrical vehicle chargers Fast charging network for electric vehicles

REGO Renewable Energy Guarantees of Origin

ROCE Return on capital employed – a measure of how effectively we use the capital invested in our business

SEDEX Supplier Ethical Data Exchange – membership organisation for auditing supply chains

TCFD Task Force on Climate-related Financial Disclosures

The Pubs Code Statutory regulation effective 21 July 2016

TSR Total shareholder return – a combination of share price appreciation and dividends paid

Total revenue Total revenue from continuing operations

WRAP Waste & Resources Action Programme